BY-LAWS

of the

WALNUT PARK
MUTUAL WATER COMPANY

(As Amended May 19, 2014)

By

BOARD OF DIRECTORS

2460 E. FLORENCE AVENUE
WALNUT PARK, CALIFORNIA
BY-LAWS
of
THE WALNUT PARK MUTUAL WATER COMPANY
(As amended May 19, 2014)

The name of the corporation shall be WALNUT PARK MUTUAL WATER COMPANY. Capitalized terms used in the BY-LAWS without definition shall have the meanings ascribed to such terms in Article XX below. The CORPORATION is a mutual water company, incorporated under the laws of the State of California. The PRINCIPAL PLACE OF BUSINESS of the CORPORATION is in the County of Los Angeles, State of California.

ARTICLE I
Corporate Powers

The corporate powers of this Corporation shall be vested in a board of five (5) directors ("Board of Directors" or "Directors" or shall be referred to individually as "Director").

ARTICLE II
Election of Directors

The Directors shall be elected by ballot at the annual meeting of the Shareholders, to serve for one year, and until their successors are elected. Their term of office shall begin ten days after election.

Each Director shall within six (6) months of taking office, complete a two-hour course offered by a qualified trainer regarding the duties of board members of mutual water companies, including, but not limited to, the duty of a corporate director to
avoid contractual conflicts of interest and fiduciary duties. All continuing Directors shall repeat this training course every six (6) years.

ARTICLE III

Vacancies

Vacancies in the Board of Directors shall be filled by the other Directors in office, and such person shall hold office until the next regular annual meeting of the Shareholders thereafter, and until his or her successor is elected.

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 shall serve out the unexpired term of his or her predecessor at which time he or she may stand for election for another full term.

ARTICLE IV

Shares of Stock Appurtenant

to Certain Lands

Whereas, this Corporation has been organized for the particular purpose of acquiring, maintaining and carrying on a domestic water supply system for supplying water only to its Shareholders on those certain five hundred acres of land situated in Los Angeles County, State of California, and described as follows:

Tract 2080, shown on sheet two, Map Book 22, Pages 162-163 as per the records of Los Angeles County, State of California, Tract 2262, Map Book 23, Pages 126-127 of said County Records, Tract 2263, Map Book 23, Page 33 of said County Records and Tract 3992, Map Book 42, Page 67 of said County Records.
Now therefore, all water acquired by this Corporation shall only be sold, distributed, supplied or delivered to owners of the capital stock of this Corporation, under such uniform and equitable rules and regulations as may be established from time to time by resolution of the Board of Directors. Shares of the capital stock of this Corporation shall be issued or transferred only to owners of land within the tracts of land hereinbefore described, at the rate of one share of stock to each lot of said land, and said shares of stock when so issued shall be appurtenant to the particular land described in the certificate issued therefor, and each certificate of stock shall contain a description of the particular land to which the shares of stock represented thereby are attached and a copy of these By-Laws shall be presented to and signed for by the owners of land and the shares of stock so located on any such land shall only be transferred with the land described therein and shall pass as an appurtenance thereto.

As more particularly described below in Article IV of these By-laws, said stock shall be transferred on the books of the Company and new certificates issued therefor only to bonafide owners of lots in the tracts of lands in Los Angeles County, California, which are particularly described in Article IV of the By-laws of said Company, at the rate of one lot for each share for which transfer is demanded, and the owner hereof shall be entitled to receive from this Company his or her pro-rata share of the water belonging to the Company to the extent that the same may be required for domestic purposes on such lot, under such uniform and equitable rules and regulations as may be established from time to time by resolution of the Board of Directors of this Company, for the distribution of the water of this company among its Shareholders. The holder shall not be entitled to any water hereunder so long as any assessment duly levied against the owner’s stock, or any charges for water delivery by this Company on the land described are unpaid and delinquent.
For purposes of these By-laws, the owner must present an original deed for the subject property at the Company’s Principal Place of Business, at which time a copy will be made for the Company’s files, in order to qualify as a “bonafide owner”.

Furthermore, the Company has adopted a policy wherein Shareholders are encouraged to provide any tenants, leases, renters, or any third party occupying the Shareholder’s property within the Company’s service area (collectively referred to as “Occupants”) with documentation related to the Occupant’s obligations and responsibilities for payment of assessments and water rates subject to the terms and conditions set forth in a separate agreement between the Shareholder and the Occupants.

ARTICLE V

Water Rates and Assessments

The rates to be charged for the use of water shall be fixed from time to time by resolution of the Board of Directors, but said rates shall not be regulated with a view to producing profit for the Company, but only to provide funds sufficient to properly establish, improve, extend, maintain and carry on the water supply system of the Company.

The Board of Directors may raise the funds required for the purpose above, either by charging uniform rates for the water delivered to its Shareholders, or by levying uniform assessments on all outstanding shares of its stock or partly by charging a uniform rate and partly by levying uniform assessments on its stock, as the Board of Directors may from time to time determine. All such uniform rates and assessments or charges shall be due and payable at such time as the Board of Directors may direct.

The Board of Directors retains the authority to determine and set, from time to time, stand-by and/or service charges upon
each and every lot or parcel of land within said property for which water is made available by the Corporation; the total amount of which shall not exceed the amount necessary to cover payment of principal and interest, general administration expense, the operation and maintenance charges and the depreciation, repairs, and replacements of machinery, equipment, and other property and assets of the Corporation.

All such uniform rates and assessments or charges shall be due and payable at such time as the Board of Directors may direct.

The Board of Directors may determine and set, from time to time to be paid by the Shareholders, an additional maintenance assessment to account for costs related to the maintenance, operation, and supervision of underground meters that falls within the Company’s service area, and shall charge interest as permitted by California law. All such uniform rates and assessments or charges shall be due and payable at such time as the Board of Directors may direct.

If a Shareholder of the Company has not timely paid any rate, charge, or assessment arising from, or related to, water service provided by the Company to the Shareholder’s property, then the Board of Directors, among other remedies provided hereunder, in accordance with the capitol stock, or to the extent permitted by California law, may authorize the recording of a notice of lien against that Shareholder’s property to secure the collection of the rates, charges, and assessments owed to the mutual water company by the Shareholder. The Board of Directors shall provide at least 20 days written notice to the Shareholder.
ARTICLE VI
Certificates of Stock and
Modes of Transfer

Certificates of stock shall be of such form and device as the Board of Directors may direct, and each certificate shall be signed by the President, or Vice President, and Secretary, and shall express on its face its number, date of issue and the following:

NOTICE: This certificate is issued to the holder hereof and accepted by him or her on the condition that the shares of stock represented hereby are hereby attached and made appurtenant to Lot ___ of Tract No. ___ in Los Angeles County, State of California, as per map of said tract filed for record in Map Book ___ page ___, records of said County, that title hereto shall pass with a valid transfer of said lot, subject, however, to the lien of the Company for the amount of all unpaid assessments levied heron and the shares of stock represented hereby may be sold to satisfy said lien in the manner provided by law; and said stock shall be transferred on the books of the Company and new certificates issued therefor only to bonafide owners of lots in the tracts of land in Los Angeles County California, which are particularly described in Article IV of the By-Laws of said Company, at the rate of one lot for each share for which transfer is demanded; and the owner hereof shall be entitled to receive from this Company his or her pro rata share of the water belonging to this Company to the extent that the same may be required for domestic purposes on such lot, under such uniform and equitable rules and regulations as may be established from time to time by resolution of the Board of Directors of this Company, for the distribution of the waters of this Company among its Shareholders. The holder hereof shall not be entitled to any water hereunder so long as any assessment duly levied against this stock, or any charges for water delivered by this Company on the land described herein are unpaid and delinquent.
Upon any sale of the lot described in any certificate of stock, the share of stock represented by such certificate may be transferred on the books of the Company and a new certificate or certificates issued therefor to the new owner or owners of said lot, upon a surrender of the old certificate. If any certificate shall be lost or destroyed, the Board of Directors may order a new certificate to be issued, upon such guarantees by the party claiming the same as the Board of Directors may deem satisfactory.

The certificate book shall contain a margin on which shall be entered this number, date, number of shares, name of person expressed in the corresponding certificate and a description of the land to which the corresponding certificate is attached.

No Shareholder shall have a proprietary, or any right, to or in any of the property of this Company. Any sale, lease, conveyance, exchange, transfer, or other disposition of all or substantially all of the property and assets of this Company made in accordance with the laws of the State of California shall, provided that the principal terms of the transaction are approved by the vote or written consent of the majority of the Shareholders and as permitted by the Company's By-laws, also be effective to dispose of any and all right, title, and interest of all of the stockholders of the corporation in and to such assets and in and to any and all water, water rights, transmission, and distribution system, or any part thereof, covered by such transfers, and also any right to receive distribution of water, whether at cost or otherwise.

ARTICLE VII

Powers and Duties of Directors

(a) General Powers. The Board of Directors shall have the following general powers and duties: the general management and supervision of the affairs of said Corporation to conduct, manage, and control the affairs and business of this
Corporation and to make rules and regulations consistent with the laws of the State of California or the By-Laws of this Corporation for the management of the affairs of the Corporation and for the guidance of the officers; power to appoint and remove at pleasure all officers, agents and employees and prescribe their duties; fix their compensation and shall require from all said officers, agents and employees who handle the funds of the Corporation to give surety bonds for faithful performance, the amount of said bond to be fixed by the Board of Directors and the premium on said bond to be paid for by the Walnut Park Mutual Water Company; the power to call special meetings of the Shareholders when necessary; the power to fix compensation for Directors; and, shall call a meeting at any time upon the written request of Shareholders holding a majority of all of the outstanding capital stock.

Said Board of Directors shall have the power to incur such indebtedness as the Board of Directors may from time to time deem necessary or convenient to the establishment, improvement and maintenance of a proper domestic water supply system for said lands described in Article IV of these By-Laws and to secure the payment of any such indebtedness by hypothecating any of this Corporation’s property that the Board of Directors may deem necessary, and to provide funds to pay any such indebtedness by uniform assessments on its stock or by charging a uniform rate for water delivered to its Shareholders, or partly by assessments on its stock and partly by charging a uniform rate for water delivered, as the Board of Directors may from time to time determine.

(b) **Board Agenda Items.** Each notice provided in accordance with Article XIV below shall contain an agenda for the meeting. The Board of Directors may not discuss or take action on any item of business either outside of a meeting or at a non-emergency meeting unless the item is placed on the agenda, except in the following instances:
(i) Upon a determination made by a majority of the Directors present at the meeting that an emergency situation exists, as defined in Article XIV(d) below.

(ii) Upon a determination made by the Board of Directors by a vote of two-thirds of the members present at the meeting, or, if less than two-thirds of total membership of the board is present at the meeting, by a unanimous vote of the members present, that there is a need to take immediate action and that the need for action came to the attention of the board after the agenda was posted.

(iii) The item appeared on an agenda that was posted and distributed pursuant to California Corporation Code Section 14307(f) for a prior meeting of the Board of Directors that occurred not more than thirty (30) calendar days before the date that action is taken on the item and, at the prior meeting, action on the item was continued to the meeting at which the action is taken.

(c) **Annual Budget and Financial Reporting.** The Board of Directors shall adopt, in an open meeting, an annual budget on or before the start of each fiscal year, which commences on January 1 and runs through December 31. For the Company's annual review of the financial records and reports outlined in Article XIII below, the Board of Directors shall contract with a certified public accountant or public accountant to conduct an annual review of the financial records and reports of the mutual water company. The review shall be subject to generally accepted accounting standards.
ARTICLE VIII

Officers

The officers shall consist of the President, Vice President, Secretary and Treasurer, to be elected and hold office at the pleasure of the Board of Directors. The offices of Secretary and Treasurer may be combined in one person.

ARTICLE IX

President

The Board of Directors shall, at the first regular meeting after the annual Shareholders meeting, elect one of their number to act as president. In case of the President’s absence or inability to perform his or her duties, the Vice President shall take his or her place and perform his or her duties, and in case of absence or inability of the Vice President, the Board of Directors may designate some one of their number to perform such duties.

The President shall preside over all meetings of the Shareholders and Directors, and shall have the casting vote; he or she shall sign, as President, all certificates of stock and all contracts and other instruments in writing, which have been first approved by the Board of Directors; he or she shall call the Directors together whenever he or she deems it necessary, and shall have, subject to the advice of the Directors, direction of the affairs of the Corporation, and generally shall discharge such other duties as may be required of him or her by the By-Laws of the Corporation.

ARTICLE X

Vice President

The Vice President shall act in the place and stead of the President in the event of his or her absence, inability or refusal to
act, and shall exercise and discharge such other duties as may be prescribed by the Board of the By-laws.

**ARTICLE XI**

**Secretary**

It shall be the duty of the Secretary to keep a record of the proceedings of the Board of Directors and of the Shareholders; he or she shall keep the Corporate Seal of the Corporation and the book of blank certificates, and fill in and countersign all certificates issued, and make the corresponding entries in the margin of such book on such issuance; he or she shall affix the Corporate Seal to all papers requiring a seal; he or she shall keep all proper corporate books required by law to be kept; he or she shall keep proper account books, and discharge such other duties as pertain to his or her office and as are prescribed by the Board of Directors; he or she shall serve all notices required either by law or by the By-Laws of the Company and in case of his or her absence, inability, refusal or neglect so to do, such notice may be served by any person thereunto directed by the President or Vice President of the Company.

**ARTICLE XII**

**Treasurer**

Treasurer shall receive and keep up funds of the Corporation in or with the depositary that may be designated by the Board of Directors and pay the same out by check signed by such officers as designated by the Board of Directors.
ARTICLE XIII

Books and Papers

The corporate books required by law to be kept, and such other records or papers as may be placed on file by vote of the Board of Directors, shall at all times in business hours be subject to the inspection of the Board of Directors or of any Shareholder.

The Company shall make the following records available upon written request by and payment of fees covering direct costs of duplication by an ELIGIBLE PERSON to the Company:

(A) Agendas and minutes of board meetings conducted on or after January 1, 2014.

(B) A copy of an annual budget adopted pursuant to subdivision (a) of Section 14306 of the California Corporations Code.

(C) A copy of an accounting report prepared pursuant to subdivision (b) of Section 14306 of the California Corporations Code.

(D) A copy of any records reporting the results of a water quality test.

(E) A copy of an annual report that has been distributed to the mutual water company's Shareholder or members.

Said requests for records shall be limited to the three (3) calendar years preceding the written request for the records.

ARTICLE XIV

Meetings

(a) **Annual Shareholders Meeting.** The annual meeting of the Shareholders shall be held on the third Monday in
May, unless said date falls on a federal or state holiday at which time the Annual Shareholders meeting shall be held on the fourth Monday in May, of each year at 7:00 p.m. at a place in Los Angeles County, California, to be designated by the Board of Directors. Notice shall be posted in a prominent, publically accessible place or places within the territory served or by written notice mailed to each Shareholder at his or her address shown on the stock books of the Corporation. No meeting of Shareholders shall be competent to transact business unless a majority of stock is represented, except to adjourn from time to time or until such time as may be deemed proper.

At the annual meeting of the Shareholders, Directors of the ensuing year shall be elected by ballot, to serve for one year, and until their successors are elected. If, however, for want of a QUORUM, or other cause, a Shareholders meeting shall not be held on the day above named, or should the Shareholders fail to complete their elections, or such other business as may be presented for their consideration, those present may adjourn from time to time until the same shall be accomplished.

(b) **Regular Board of Directors Meetings.** Regular meetings of the Board of Directors are duly noticed meetings pursuant to California Corporations Code Section 14305(f), shall be held on the third Monday of each calendar month at 1:00 p.m., except for the month of December when it shall be held on the second Monday at 1:00 p.m., at the PRINCIPAL OFFICE OF THE COMPANY. In the event that any of the monthly Board of Directors meetings fall on a federal or state holiday, said meeting shall be held the next Monday following the federal or state holiday at 1:00 p.m.

Three Directors shall constitute a QUORUM. No meeting of Board of Directors shall be competent to transact business unless a quorum is present, except to adjourn from time to time or
until such time as may be deemed proper. Notice of said regular meetings shall be posted in a prominent, publicly accessible place or places within the territory served or will be sent to all Shareholders and ELIGIBLE PERSONS, who request notification and pay the costs of reproduction and mailing of the notice in advance, at least four (4) days before the time for holding said meeting by letter.

(c) **Special and Executive Board of Directors Meetings.** Special meetings of the Board of Directors shall be held when scheduled at any time by the Board of Directors in response to the vote of two or more Directors or in response to a request by the President. Notice of such special meeting shall be sent to each Director and all ELIGIBLE PERSONS, who requested notification and paid the costs of reproduction and mailing of the notice in advance, at least two (2) days before the time for holding said meeting by letter. Executive sessions shall be subject to the same notice requirements as special meetings. Such service of notice shall be entered into the minutes of the Corporation, and said minutes, upon being read and approved at a subsequent meeting of the Board of Directors, shall be conclusive upon the question of service.

(d) **Emergency Board of Directors Meetings.** Emergency meeting of the Board of Directors may be called by the President, or by two members of the Board of Directors other than the President, if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board of Directors, and which of necessity make it impracticable to provide notice as required by California Corporations Code Section 14307 and the provisions of these By-Laws.

(e) **Conduct of Meetings.** Except for meetings of the board held in executive session, the Board of Directors shall permit
any ELIGIBLE PERSON to speak at any meeting of the Company or Board of Directors for three (3) minutes. Each speaker will be required to fill out and complete a speaker card, which shall be provided by the Company for each agenda item to which the individual wishes to speak on.

The Board of Directors shall meet in executive session, if requested by a member or Shareholder who may be subject to a fine, penalty, or other form of discipline, in accordance with the rates and uniform assessments provided in Article V of these By-Laws. The individual Shareholder who may be subject a fine penalty, or other form of discipline shall be permitted to speak for five (5) minutes.

(f) **Voting.** At all Annual Shareholders Meetings, each Shareholder, either in person or by proxy, shall be entitled to as many votes as he or she owns shares of stock. Such proxy shall be in writing and filed with the Secretary not later than 12:00 p.m. on the Friday proceeding the Annual Shareholders Meeting. At all other corporate meetings of Shareholders other than the Annual Shareholders Meeting, all proxies must be filed with the Secretary ten (10) days before the Shareholders vote at the corporate meeting.

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.

**ARTICLE XV**

**Hazardous Waste**

No Shareholder shall maintain or use any toxic or hazardous materials on any Lot or Parcel or in a manner which
may cause contamination of the Company's water system or involvement beyond local, state or federal law. Violation of this section shall be a nuisance and, in addition to the other remedies provided by law, shall obligate the violator to pay all costs of investigating and remedying any contamination, all costs of responding to any investigations undertaken by third parties pursuant to law, and all costs and damaged incurred by the Company because of the violation. "Hazardous Waste" means any substance the release of or the exposure to which is prohibited, limited or regulated by any local, state, or federal law, or which poses a hazard to human health because of its toxicity or other adverse effect, including but not limited to (a) any "oil," as defined by the Federal Water Pollution Control Act and regulations promulgated thereunder (including crude oil or any fraction of crude oil); (b) any radioactive material, including any source, special nuclear, or byproduct material as defined in 42 United States Code §2011 et seq.; (c) molds; (d) asbestos containing materials ("ACM") in any form or condition; and (e) polychlorinated biphenyls ("PCBs") and any substances or compounds containing PCBs.

ARTICLE XVI

Insurance and Indemnification

Each agent, officer, and Director shall be indemnified by the Company against all expenses and liabilities incurred by or imposed upon him or her while acting within the scope of the agent, officer, or Director's duties.

The Company may purchase and maintain insurance to the fullest extent permitted by law on behalf of any agent, officer, or Director of the Company against any liability other than for violating provisions against self-dealing or gross negligence asserted against or incurred by the agent, officer, or Director in
such capacity or arising out of the agent, officer, or Director’s
duties as such.

ARTICLE XVII

Corporate Seal

The Company shall have a corporate seal, consisting of the
following words: "Walnut Park Mutual Water Company,
Incorporated April 30, 1914, Los Angeles, California."

ARTICLE XVIII

Amendments

The By-Laws may be altered or amended at any legal
meeting of the Shareholders, by the affirmative vote of a majority
of the stock represented at such meeting, or by a unanimous vote
of the whole number of the Board of Directors. No such
alterations or amendments of the By-Laws shall become effective
until the same has been copied in the Book of By-Laws and a
written notice of such alteration or amendment has been deposited
in the post office at the principal place of business of the
Company, postage prepaid, addressed to each Shareholder at his or
her address, as it appears of record on the books of the Company,
or said Notice may be delivered by Special Messenger.

ARTICLE XIX

Meters and Connections

The Board of Directors may require lot owners to pay the
cost of connecting their respective lots with the water mains and
cost of meters for each connection.
ARTICLE XX

Definitions

(a) "By-Laws" shall refer to this document, which effectively amends the By-Laws that were amended on May 19, 2014.

(b) "Company" or "Corporation" shall be used interchangeably to refer to the Walnut Park Mutual Water Company, as incorporated on April 30, 1914.

(c) "Domestic Purposes" whether capitalized or not in the By-Laws or Capital Stock Certificate means water that is used in a household, school, public facility, commercial, or industrial building.

(d) "Eligible Person" is defined in California Corporations Code Section 14307(b) as (i) a Shareholder or member of the mutual water company; (ii) a person who is an occupant, pursuant to a lease or a rental agreement, of commercial space or a dwelling unit to which the mutual water company sells, distributes, supplies, or delivers drinking water; or, (iii) an elected official of a city or county who represents people who receive drinking water directly from the mutual water company on a retail basis.

(e) "Principle Place of Business" of the Corporation shall refer to the main office located at 2460 E. Florence Avenue in Walnut Park, California 90255.

(f) "Shareholder" shall be defined as an owner of the beneficial interest in any lot or other parcel of said property for which water is made available by the Corporation upon (i) establishing his or her right to become a Shareholder to the satisfaction of the secretary of the corporation, and (ii) where there
is more than one owner of a lot or parcel, said owners shall designate one as the Shareholder, with the designation to be filed in writing with the secretary of the Corporation.

(g) "Quorum" means fifty percent (50%) plus 1 of outstanding shares.

THIS IS TO CERTIFY that at a regular meeting of the Board of Directors of the Walnut Park Mutual Water Company, duly called and held on the 19th day of May, in the year 2014, at which meeting all said Directors were present and voted affirmatively, the following resolution was adopted:

RESOLVED that the By-Laws of the Walnut Park Mutual Water Company be and the same are hereby amended to read as above.

BOARD OF DIRECTORS

WALNUT PARK MUTUAL

WATER COMPANY