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BYLAWS OF NATOMAS CENTRAL MUTUAL WATER COMPANY<sup>1</sup>

<sup>1</sup>This document supercedes the document recorded on November 17, 1993 in Book 931117 at Page 2282, of the Official Records of Sacramento County.

BYLAWS  
OF  
NATOMAS CENTRAL MUTUAL WATER COMPANY  
A California Corporation

(with amendments to October 13, 1998)

ARTICLE I

NAME

The name of the corporation is NATOMAS CENTRAL MUTUAL WATER COMPANY ("Corporation").

ARTICLE II

PRINCIPAL OFFICE

The principal office for the transaction of the business of the Corporation is located at 2601 W. Elkhorn Boulevard, Rio Linda, California 95673. The Board of Directors may change the location of the principal office.

ARTICLE III

OBJECT AND PURPOSE

The Corporation shall be entitled:

(a) To purchase, lease, or otherwise acquire the "water systems" described in the Articles of Incorporation for the Corporation, together with the water appropriations and water rights appurtenant thereto, and to operate, manage and control said water systems separately or as a unit, together with the water appropriations and water rights thereof for the purpose of supplying water from said water systems at cost among the shareholders of the Corporation for the irrigation of the lands of the shareholders of this Corporation to which water can feasibly be served by the Corporation, as determined by the Board of Directors of this Corporation, such lands to be located within the boundaries described in the Articles of Incorporation for this Corporation (the "Service Area").

(b) To produce, appropriate, purchase, lease from others and otherwise acquire, store and supply at cost among the Shareholders of this Corporation water from other sources for the irrigation of said lands of the Shareholders of this Corporation.

(c) To purchase, lease from others and otherwise acquire, operate, manage and control dam sites and reservoir sites, and plants, systems, works, dams, reservoirs, aqueducts, canals, ditches, tunnels, flumes, mains, pipes, conduits, wells and other structures, and engines, pumps and other machinery, apparatus and appliances necessary, proper and convenient for producing, appropriating, purchasing, leasing from others and otherwise acquiring, storing and supplying at cost among the shareholders of this Corporation water for the irrigation of the said lands of the shareholders of this Corporation.

(d) To construct plants, systems, works, dams, reservoirs, aqueducts, canals, ditches, tunnels, flumes, mains, pipes, conduits, wells and other structures, and engines, pumps and other machinery, apparatus and appliances necessary, proper or convenient for producing, appropriating, purchasing and otherwise acquiring, storing and supplying at cost among the shareholders of this Corporation water for the irrigation of the said lands of the shareholders of this Corporation.

(e) To borrow and lend money in connection with any of the foregoing purposes, with or without security therefor.

(f) To execute notes, bonds and other obligations for money borrowed, property purchased and otherwise acquired by the Corporation, labor done and services performed for the Corporation, and for any other lawful object or purpose, and to secure the payment of the principal and interest of such notes, bonds and other obligations by mortgage, pledge, hypothecation, deed of trust, or otherwise, of any or all property, including rights, privileges and franchises acquired, or which may be acquired by the Corporation.

(g) In addition to the above-described purposes, the Corporation, in the discretion of the Board of Directors, shall be permitted to engage in the business of wholesaling raw water to shareholders for non-agricultural purposes for use within the service area of the Corporation, to transfer water to non-shareholders in accordance with applicable law and generally to transact and carry on any other business and to exercise any other powers which may be necessary, proper, or convenient to be carried on or exercised in connection with any of the foregoing purposes, or incidental thereto. Notwithstanding any other provision of these Bylaws, where the Board of Directors approves the wholesaling of raw water to shareholders for non-agricultural purposes, such non-agricultural water shall be allocated based on the principle of equal priority as between agricultural and non-agricultural uses.

#### ARTICLE IV

#### SHAREHOLDERS

**Section 1. Definition.** Any person owning real property within the Service Area shall be eligible for stock ownership on approval by the Board of Directors of their application.

**Section 2. Shares Appurtenant to Land.** Any water or water rights acquired by the Corporation shall be available for use only by shareholders of this Corporation or their lessees, except as otherwise herein provided in accordance with California Corporations Code Section 14300.

Shares in the Corporation shall be transferable only with the land for which it is issued unless forfeited under Corporations Code Section 14303. A conveyance of the land shall serve to authorize a transfer of stock to the purchaser upon endorsement on the certificate and the surrender of the certificate to the Secretary of the Corporation.

**Section 3. Voting Rights.** Shareholders shall have the right to vote as provided under the California General Corporation Law and these Bylaws. Each shareholder shall be entitled to one (1) share per acre of land owned by the shareholder and located within the Service Area. For the purpose of issuing shares, the gross acreages shall be as shown on the county assessment parcel maps. There shall be no fractional shares, and the acreage shall be rounded to the nearest whole number for the purpose of determining the number of shares to be issued. Each shareholder shall be entitled to one vote per share except for those shares as to which the assessment has been waived under Article XII.

**Section 4. Assessments and Charges.** Each shareholder must pay, within the time and on the conditions set forth by the Board, assessments and charges and any other amounts to be fixed from time to time by the Board of Directors.

**Section 5. Good Standing.** Those shareholders who have paid the required assessments and charges in accordance with these Bylaws and who are not suspended shall be shareholders in good standing.

**Section 6. Remedies for Delinquent Assessments and Charges.** All assessments and charges for water and assessments for maintenance and operation shall be a lien upon the lands for which the assessments and charges are made. If such assessments and charges become delinquent, such lien may be enforced as provided in Article XII.

**Section 7. Rights and Liabilities.** No shareholder shall have any right, title or interest in or to any property or assets of the Corporation except upon dissolution. In the event of dissolution of the Corporation, the assets of the Corporation shall be distributed as set forth in Article XV.

## ARTICLE V

### SHAREHOLDERS' MEETINGS

**Section 1. Place of Meetings.** All meetings of the shareholders shall be held at the principal office of the Corporation in the State of California, or any other place as may be designated for that purpose from time to time by the Board of Directors.

**Section 2. Annual Meetings.** The annual meeting of the shareholders shall be held on the second Tuesday of February in each year at a time and place to be specified in the Notice of said meeting or at such other time and place as the Board of Directors may establish. If the scheduled date falls on a legal holiday, the meeting shall be held on the next full business day.

**Section 3. Special Meetings.** Special meetings of the shareholders, for any lawful purpose, may be called at any time by the President or Secretary, or by the majority of the Board of Directors, or by one or more shareholders holding not less than fifty percent (50%) of the voting power of the Corporation.

No business, other than the business the general nature of which was set forth in the notice of the special meeting, may be transacted at a special meeting.

**Section 4. Notice of Meetings.** Notices of meetings, annual or special, shall be given in writing to shareholders entitled to vote by the Secretary, or if there be no such officer, or in the case of his neglect or refusal, by any director or shareholder.

Such notices shall be sent to the shareholder's address appearing on the books of the Corporation, or supplied by the shareholder to the Corporation for the purposes of notice, not less than ten (10) days before the meeting.

Notice of any meeting of shareholders shall specify the place, the day and the hour of the meeting, and, in case of special meetings, the general nature of the business to be transacted.

When a meeting is adjourned temporarily for a period of thirty (30) days or more, notice of the resumption of the adjourned meeting shall be given as in case of an original meeting. Except as previously stated, it shall not be necessary to give any notice of the temporary adjournment or of the business to be transacted at the resumption of an adjourned meeting other than by announcement at the meeting at which such adjournment is taken.

**Section 5. Consent to Shareholders' Meetings.** The transactions of any meeting of shareholders, however called and noticed, shall be valid as though had at a meeting duly held after regular call and notice if a quorum be present either in person or by proxy, and, if either before or after the meeting, each of the shareholders not present in person or by proxy, signs a written waiver of notice or a consent to the holding of such meeting or an approval of the

minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Any action which may be taken at a meeting of the shareholders may be taken without a meeting if the action is authorized by a writing signed by the holders of the outstanding shares having not less than the minimum number necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

**Section 6. Quorum.** A majority of the shareholder voting power, in person or by proxy, shall constitute a quorum at a meeting of shareholders. If a quorum is present, the affirmative vote of the majority of the voting power represented at the meeting shall be the act of the shareholders. If a quorum is not present or represented at any meeting of shareholders, the shareholders entitled to vote in person or by proxy, shall have power to adjourn the meeting from time to time until the requisite amount of voting power shall be present. At such adjourned meeting at which the requisite amount of voting power is represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Subject to the preceding paragraph, the shareholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, even if sufficient shareholders have withdrawn to leave less than a quorum, if any action (other than adjournment) is approved by at least a majority of the shareholders required to constitute a quorum.

**Section 7. Voting Rights: Cumulative Voting.** Only those persons shall be entitled to vote at such meeting who are shareholders in good standing in whose names the shares are registered on the records of the Corporation on the day of any meeting of shareholders, unless some other day be fixed by the Board of Directors for the determination of shareholders of record, then on such other day.

For any election of directors, each shareholder shall be entitled to one vote for each share, and shall have the right to cumulate his votes pursuant to Section 708(d) of the California Corporations Code. If Section 708(d) is repealed or otherwise does not apply to the Corporation for any reason whatsoever, shareholders will not have the right to cumulate votes. If a shareholder chooses to cumulate his votes, he may cast a total number of votes equal to the number of shares held multiplied by the number of Board members being elected. The total votes may all be cast for a single candidate, or spread among several candidates as the shareholder chooses.

Voting may be by voice or ballot except that any election of directors must be by ballot if demanded by any shareholder at the meeting before the voting begins.

**Section 8. Proxies.** Every shareholder may vote or may execute consents, either in person or by written proxy, executed in accordance with the provisions of the California General Corporation Law and filed with the Secretary of the Corporation.

**Section 9. Nominations.** Nominations for election to the Board of Directors shall be made by the Board of Directors. Shareholders of any outstanding class of capital stock of the Corporation entitled to vote at an election of directors may also nominate persons for election to the Board of Directors. Nominations, other than those made by or on behalf of the existing management of the Corporation, shall be made in writing and shall be delivered or mailed to the President of the Corporation not less than twenty-one (21) days nor more than forty (40) days prior to any meeting of shareholders called for the election of directors; provided, however, that if less than 21 days' notice of any such meeting is given to the shareholders, such nominations shall be mailed or delivered to the President of the Corporation not later than the seventh day following the day on which the notice was mailed. Such notification shall contain, at a minimum, the following information:

- 1) The name and address of each proposed nominee.
- 2) The principal occupation of each proposed nominee.
- 3) To the extent known by the nominating shareholder, the total number of shares of capital stock of the Corporation that will be voted for each proposed nominee.
- 4) The name and address of the notifying shareholder.
- 5) The number of shares of capital stock of the Corporation owned by the nominating shareholder.

Nominations not made in accordance with the procedures set forth herein may be disregarded by the then-current Board of Directors of the Corporation, and upon the Board of Directors' instructions, the votes cast for each such nominee will be disregarded.

## **ARTICLE VI**

### **DIRECTORS: MANAGEMENT**

**Section 1. Powers.** Subject to the Articles of Incorporation, the Bylaws, and the laws of the State of California, all corporate powers shall be exercised by or under authority of, and the business affairs of this Corporation shall be controlled by, the Board of Directors.

**Section 2. Number and Qualifications.** The authorized number of directors of the Corporation shall be seven (7), until changed by amendment of the Articles of Incorporation. Each director must be a shareholder, either directly or indirectly, of the Corporation.

**Section 3. Election and Tenure of Office.** 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 and have qualified. Their term of office shall begin immediately after election.

**Section 4. Vacancies.** Except for a vacancy created by the removal of a director by the shareholders, vacancies in the Board of Directors may be filled by majority of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so appointed shall hold office until his successor is elected at an annual meeting of shareholders or at a special meeting called for that purpose.

The shareholders may at any time elect a director to fill any vacancy not filled by the directors.

If the Board of Directors accepts the resignation of a director tendered to take effect at a future time, the Board shall have power to elect a successor for the unexpired term to take office when the resignation becomes effective.

No reduction of the number of directors shall have the effect of removing any director prior to the expiration of his term of office.

**Section 5. Removal of Directors.** The entire Board of Directors or any individual director may be removed from office as provided by the General Corporation Law of the State of California.

**Section 6. Place of Meeting.** Meetings of the Board of Directors shall be held at the principal office of the Corporation in the State of California, or any other place as designated for that purpose from time to time by resolution of the Board of Directors or written consent of all of the members of the Board. Any meetings shall be valid, wherever held, if held by the written consent of all members of the Board of Directors, given either before or after the meeting and filed with the Secretary of the Corporation.

**Section 7. Regular Meetings.** Regular meetings of the Board of Directors shall be held on the second Tuesday of each month for purposes of organization, election of officers and the transaction of other business. If the scheduled date falls on a legal holiday, the meeting shall be rescheduled to such time and place as shall be established by the Board. No notice need be given of such regular meetings. Regular meetings may also be held at such times and places as shall be established from time to time by the Board.



**Section 8. Special Meeting - Notices.** Special meetings of the Board of Directors for any lawful purpose shall be called any time by the President or by any two directors.

Special meetings shall be held on four days' notice by U.S. mail or forty-eight hours' notice delivered personally or by telephone (including a voice messaging system or other system or technology designed to record and communicate messages), telegraph, facsimile, electronic mail, or other electronic means. Written notice, if used, shall be addressed to each director at the address shown on the Corporation's records.

**Section 9. Waiver of Notice.** When all the directors are present at any directors' meeting, however called or noticed, and they sign a written consent thereto on the records of such meeting, or, if a majority of the directors are present, and if those not present sign in writing a waiver of notice of such meeting prior to or after the holding of such meeting, said waiver shall be filed with the Secretary of the Corporation, and the transactions thereof are as valid as if had at a meeting regularly called and noticed.

**Section 10. Quorum.** A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn either temporarily or permanently. Every action taken or decision made by a majority of the directors present at a duly held meeting, at which a quorum is present, shall be the act of the Board, subject to the more stringent provisions of the California General Corporation Law. A meeting at which a quorum is initially present may continue to transact business, despite the withdrawal of directors, if any action taken or decision made is approved by at least a majority of the required quorum for that meeting.

**Section 11. Consent of Board Obviating Necessity of Meeting.** Notwithstanding anything to the contrary contained in these Bylaws, any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board of Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the Board's proceedings. Such action by written consent shall have the same force and effect as a unanimous vote of such directors.

**Section 12. Compensation and Reimbursement.** The officers and directors may receive such compensation, if any, for their services, and such reimbursement of expenses, as may be determined by Board resolution to be just and reasonable as to the Corporation at the time the resolution is adopted.

## **ARTICLE VII**

### **OFFICERS**

**Section 1. Officers.** The officers shall be a President, a Vice-President, a Secretary and a Treasurer, which officers shall be elected by, and hold office at the pleasure of the Board of

Directors. The President shall be a member of the Board of Directors. The Secretary and Treasurer need not be members of the Board of Directors. The Board of Directors may also appoint any other officers that it deems appropriate from time to time. Any two or more offices may be held by the same person, except no one person may serve at the same time as President and Secretary.

**Section 2. Compensation and Tenure of Office.** The compensation and tenure of office of all the officers of the Corporation shall be fixed by the Board of Directors. Salaries paid to persons operating or employed by the Corporation shall be limited to reasonable salaries for the service rendered.

**Section 3. Removal and Resignation.** Without prejudice to any rights under any employment contract, any officer may be removed, either with or without cause, by a majority of the directors at the time in office, at any regular or special meeting of the Board.

Any officer may resign at any time by giving written notice to the Board of Directors or to the President, or to the Secretary of the Corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

**Section 4. Vacancies.** A vacancy in any office because of death, resignation, removal, disqualification or other cause shall be filled in the manner prescribed in Section 1 of this Article.

**Section 5. President.** The President shall be the Chief Executive Officer of the Corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and affairs of the Corporation. He shall preside at all meetings of the shareholders and of the Board of Directors. He shall be ex-officio a member of all the standing committees, including the executive committee, if any; and shall have the general powers and duties of management usually vested in the office of President of a corporation; and shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.

**Section 6. Vice-President.** The Vice-President shall, in the absence or disability of the President, perform the duties and exercise the powers of the President; and shall perform such other duties as the Board of Directors shall prescribe.

**Section 7. Secretary.** The Secretary shall keep, or cause to be kept, a book of minutes at the principal office or such other place as the Board of Directors may order, of all meetings of directors and shareholders, describing the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of shares present or represented at shareholders' meetings, and the proceedings thereof.

The Secretary shall give, or cause to be given, notice of all meetings of the members of the Board of Directors required by the Bylaws or by law to be given; he shall keep the seal of the Corporation and affix said seal to all documents requiring a seal; and he shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

Section 8. Treasurer. The Treasurer shall be the Chief Financial Officer of the Corporation and shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the Corporation's properties and transactions. The Treasurer shall send or cause to be given to the shareholders and directors, the financial statements and reports which are required to be given by law, the Bylaws or the Board. The books of accounts shall be open to inspection by any director at all reasonable times.

The Treasurer shall deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the Corporation at such depository as the Board may designate; shall disburse the Corporation's funds as the Board may order; shall render to the President, when requested, an account of all transactions as Treasurer and of the financial condition of the Corporation; and shall have such other powers and perform such other duties as the Board or Bylaws may prescribe.

## ARTICLE VIII

### CORPORATE RECORDS AND REPORTS - INSPECTION

Section 1. Records. The Corporation shall maintain adequate and correct accounts, books and records of its business and properties, including, but not limited to, records of the patronage of all shareholders and all gains and losses realized upon the disposition of corporate assets. All of such books, records and accounts shall be kept at its principal place of business in the State of California, as fixed by the Board of Directors from time to time.

Section 2. Inspection of Books and Records. All books and records shall be open to inspection of the directors and shareholders from time to time upon reasonable notice to the Secretary.

Section 3. Certification and Inspection of Bylaws. The original or a copy of these Bylaws, as amended or otherwise altered to date, certified by the Secretary, shall be open to inspection by the shareholders of the Corporation.

Section 4. Checks and Drafts. All checks, drafts or other orders of payment of money, notes or other evidence of indebtedness, issued in the name of or payable to the Corporation, shall be signed or endorsed by such person or persons and in such manner as shall be determined from time to time by resolution of the Board of Directors.

Section 5. Contracts and Other Instruments - How Executed. The Board of Directors, except as otherwise provided in the Bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation. Such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement, or to pledge its credit, or to render it liable for any purpose or to any amount.

## ARTICLE IX

### CERTIFICATE AND TRANSFER OF SHARES

Section 1. Issuance. Share certificates of the Corporation shall be in such form as the Board of Directors shall designate and shall be issued over the signature of the President and Secretary.

Section 2. Appurtenancy; Fractional Shares. Share certificates of the Corporation shall be appurtenant to the real property located within the Service Area, as specifically described in the respective share certificate itself, and shall not be transferable except with the conveyance of the real property for which said certificate is issued. Such conveyance shall effect the transfer of the certificate appurtenant to that particular real property to its purchaser upon payment of all indebtedness to the Corporation. No fractional certificate shall be issued. In the event the shares must be apportioned among several purchasers, the acreage shall be rounded to the nearest whole number for the issuance of each certificate.

Section 3. Payment on Transfer. All transfers of such certificates shall be subject to the payment of all indebtedness to the Corporation of the shareholder whose certificate is transferred.

Section 4. Closing Stock Transfer Books. The Board of Directors may close the transfer books in their discretion for a period not exceeding thirty (30) days preceding any annual or special meeting of the shareholders.

## ARTICLE X

### CORPORATE SEAL

The corporate seal shall be circular in form, and shall have inscribed thereon the name of the Corporation, the date of its incorporation, and the word "California."

## ARTICLE XI

### AMENDMENTS TO BYLAWS

**Section 1. By Shareholders.** New Bylaws may be adopted or these Bylaws may be repealed or amended at the annual meeting or at any other meeting of the shareholders called for that purpose, by a two-thirds vote of shareholders entitled to vote, or by written consent of such shareholders.

**Section 2. Record of Amendments.** Whenever an amendment or new Bylaw is adopted, it shall be copied in the Minute Book with the original Bylaws, in the appropriate place. If any Bylaw is repealed, the fact of repeal with the date of the meeting at which the repeal was enacted or written assent was filed shall be stated in said book.

## ARTICLE XII

### ASSESSMENTS AND CHARGES

**Section 1. Purpose of Levy.** For the purpose of raising funds required for operation of the Corporation, including acquisition of water or water rights or for the payment of any other costs, the Board of Directors may, from time to time, impose assessments and charges. All assessments and charges for water delivered by the Corporation shall be established on a basis which is fair and equitable to all of the shareholders.

**Section 2. Charges for Specific Services.** The cost of making extensions, enlargements, improvements, modifications, repairs, or replacements of the water system of the Corporation shall be borne by the lands which, in the judgment of the Board of Directors, will be benefitted by such extension or enlargement; and the Board of Directors, for the purpose of paying such cost, shall have the power, at any time, to fix a charge, which the Board of Directors shall deem to be proportionate to the benefits to be derived, on each acre of land so benefitted within the Service Area, and such charge, when so fixed, shall be immediately due and payable, and shall be delinquent on the date set by the Board of Directors. Such charges shall be a lien upon such lands, and such lien may be enforced in the manner provided by the law for the foreclosure of mortgages of real property or otherwise as set forth in Section 10 of this Article. Any such charge shall bear interest from the date the charge becomes delinquent, at the annual rate of interest set by the Board of Directors, which rate shall not exceed 18% per annum.

**Section 3. General Charges.** The Board of Directors, for the purposes of paying the cost of operating the Corporation and the water system or for the purpose of paying any general expenses of the Corporation, except as otherwise provided in these Bylaws, and for any or all such purposes, shall have the power at any time to levy and assess a uniform charge per acre on all lands within the Service Area upon which the Corporation is prepared to supply water, and

whether such water be supplied to or used upon such lands or not, and such charge, when so fixed, shall be immediately due and payable, and shall be delinquent on the date set by the Board of Directors. Such charge shall be a lien upon such lands from the time it is so fixed, and such lien may be enforced, if such charge shall have become delinquent, in the manner provided by the law for foreclosure of mortgages of real property or otherwise as set forth in Section 10 of this Article. Any such charge shall bear interest from the date the same becomes delinquent, if not then paid, at the annual rate of interest last set by the Board of Directors, which rate shall not exceed 18% per annum.

**Section 4. Operations and Maintenance Charges: Water Charges.** The Board of Directors, for the purpose of paying the cost of operating and maintaining the water system of the Corporation and of supplying water to the users thereof, shall have the power at any time to fix a maintenance charge and a charge for water supplied to lands within the Service Area.

The maintenance charge shall be a uniform charge per acre on all lands upon which shares of the capital stock of the Corporation are located. This charge when so fixed shall be due and payable at the time it is so fixed and shall be delinquent on the date set by the Board of Directors.

The charge for water shall be established on a basis which is fair and equitable to all of the users thereof. The rate charged for water used on various crops may differ with each crop but all charges for water used on any one particular crop for the same type of water service shall be uniform.

A separate water charge may be established for those users who, with the approval of the Board of Directors, divert water by means of their own pumping facilities from drains or other sources within the territory described in the articles of incorporation. The Board shall attempt to equalize the cost of water to the user from drains with that of users from the gravity irrigation system, bearing in mind the user's expense in installing and operating equipment to lift water from the drains, and shall not discriminate either in favor of or against such users.

These charges when so fixed shall be due and payable when and as the water is supplied and shall be delinquent as established by the Board of Directors.

All charges specified in this section shall be a lien upon the lands on which the charges are made, from the time such charges become due and payable, whether such land be in the occupation of the owner or in the occupation of tenants or other persons, and in every case where the owner of such lands is not himself in the occupation thereof the water supplied thereto shall be deemed to be supplied at the express request of such owner. Such lien may be enforced, if such charges shall become delinquent, in the manner provided by law for the foreclosure of mortgages of real property or otherwise as set forth in Section 10 of this Article. All charges herein provided shall bear interest from the date the same become delinquent, if not then paid, at the annual rate of interest last set by the Board of Directors, which rate shall not exceed 18% per annum.

**Section 5. Termination of Water Supply.** No person shall be entitled to use water delivered by or through the Corporation upon any lands on which a lien for any water charge or assessment fixed by the Board of Directors, then due and payable, remains unsatisfied. The Board of Directors may prevent use of water upon such lands until all such assessments and water charges are fully paid together with any penalties or interest and shareholders agree, by accepting shares of stock in this Corporation, not to use water delivered by or through the Corporation except after payment of water charges and assessments then due.

**Section 6. Recovery of Costs.** In any suit brought to enforce the lien for any charge fixed by the Board of Directors, the Corporation shall be entitled to recover all costs, fees, and expenses of any kind or nature to enforce this lien and recover all amounts due and owing including, without limitation, all attorneys' fees and costs, and the Corporation shall be entitled to recover the same as a part of the decree in such suit.

**Section 7. Water Usage.** The quantity of water to which any shareholder shall be entitled shall not exceed the quantity necessary for use within the service area of the Corporation, and shall be such proportionate quantity of all the water available for distribution, at the time water delivery is requested, among all the shareholders of the Corporation desiring to be supplied with water, as the number of shares owned by him shall bear to the whole number of shares owned by the shareholders desiring to be supplied with water.

**Section 8. Return Flows and Drainage Water.** All sales of water by the Corporation shall be made upon the express condition that any and all return flows and drainage water resulting from the use or wastage of such water shall become the property of the Corporation and subject to further use or sale by the Corporation when such water enters any canal or drain maintained by the Corporation or by the Reclamation District No. 1000.

**Section 9. Rules and Regulations.** The Board of Directors shall have the power, from time to time, to make and enforce rules and regulations, consistent with these Bylaws, relating to the water system of the Corporation and to the supplying and use of water from such system, including all ditches and conduits connected with such system, as the Board of Directors may deem necessary or proper.

**Section 10. Lien Remedies.** In addition to any other rights or remedies provided to the Corporation to enforce a lien, if any such assessments or water charges become delinquent, such lien may be enforced by any one or more of the following: (a) in the manner provided by law for the foreclosure of a mortgage or deed of trust upon real property; (b) forfeiture of shares pursuant to California Corporations Code Section 14303; (c) personally by judicial action against the holder of shares as to which the delinquencies exist; and (d) as otherwise may be permitted at law or in equity. Corporation shall be entitled to receive payment for all costs, fees and expenses that are incurred to enforce the lien, as set forth in Section 6 of this Article XII.

**Section 11. Notice of Levy.** Such assessments and water charges may be levied in the form of annual, quarterly or other periodic billings to shareholders. The Board shall give a formal notice of each assessment or water charge in a writing which shall contain: the date and amount of the assessment or water charge; the date upon which the assessment or water charge is payable; the identification of to whom and where the assessment or water charge is payable; the date on which the assessment shall be delinquent and on which the penalty will be imposed if not paid; and any other such information as determined by the Board.

**Section 12. Repair and Replacement Fund.** The Board of Directors shall establish a rate structure which will result in the accumulation and maintenance of a fund for the repair and replacement of the water supply, distribution, and fire protection system of the Corporation ("Repair and Replacement Fund"). The rate charged shall bear a reasonable relation to the cost of furnishing water. Unimproved lots within the Service Area must bear a proportionate share of the cost of repair and replacement of the water supply, distribution and fire protection system, as well as a proportionate share of the cost of maintaining the Repair and Replacement Fund.

### **ARTICLE XIII**

#### **APPLICATION FOR SERVICE; RELEASE OF CLAIMS**

**Section 1. Application for Water.** Each shareholder shall on an annual basis submit to the Corporation a written application for water supply (the "Application") which designates the amount of water the shareholder expects to utilize during the upcoming year, the approximate schedule under which that water will be needed, and such other information as deemed necessary by the Board of Directors for the efficient operation of water delivery by the Corporation. The application shall also include a release of the Corporation by the shareholders of all claims related to the quality of water delivered to the shareholders and the timing of this delivery.

**Section 2. Water Quality.** The shareholders recognize that the Corporation must recycle water within the boundaries of the Corporation, and such recycling of water may affect the quality of water supplied to the lands of the shareholders for agricultural use. The shareholders acknowledge that the use of water supplied by the Corporation for agricultural crops involves financial and physical risk. The shareholders further acknowledge that the water supplied by the Corporation may contain herbicides, pesticides, chemicals, and other constituents which may be harmful to agricultural crops on the shareholder's property and that the Corporation does not conduct any testing of water delivered to them.

**Section 3. Assumption of Risk.** THE SHAREHOLDERS ARE AWARE THAT THE WATER SUPPLIED BY THE CORPORATION FOR IRRIGATION MAY CONTAIN CONSTITUENTS THAT ARE HARMFUL TO CERTAIN CROPS. THE SHAREHOLDERS VOLUNTARILY REQUEST DELIVER OF SUCH IRRIGATION WATER WITH THE KNOWLEDGE OF THE DANGERS INVOLVED, AND HEREBY AGREE TO ACCEPT ANY



AND ALL RISKS OF INJURY OR DAMAGE. THE CORPORATION MAKES NO GUARANTEE AS TO THE QUALITY OF THE WATER DELIVERED BY THE CORPORATION TO THE SHAREHOLDERS OR ITS FITNESS FOR A PARTICULAR USE.

**Section 4. Waiver of Right to Bring an Action.** The shareholders hereby agree on their own behalf and on behalf of their tenants, assignees, heirs, distributees, guardians, and legal representatives that they will not, directly or indirectly, make a claim against, bring a lawsuit, action, or other proceeding against, or attach the property of the Corporation, its directors, officers, agents, employees, consultants, contractors, representatives, or any of its affiliated organizations, for injury or damage of any nature resulting directly or indirectly from:

- 1) the quality or constituents of the water supplied by the Corporation, whether added to the water by the Corporation or by others; or
- 2) the quantity of water supplied or the interruption of water service of the Corporation; or
- 3) the negligence of the Corporation (including its officers, directors, employees, agents, representatives, consultants, contractors or affiliated entities (collectively, the "Released Persons")), or their failure to act, in preventing water quality degradation or interruptions in the water quantities supplied; or
- 4) the failure of the Corporation (including the Released Persons) to provide notice of: (a) the contents and constituents of the water, (b) the lack of fitness of the water for a particular purpose, (c) the quality of the water, or (d) the failure or unavailability of facilities to transport or convey water to or for the benefit of any shareholder (collectively, items (1) through (4) shall be referred to as the "Released Matters").

**Section 5. Release.** The shareholders hereby agree on their own behalf and on behalf of their tenants, assignees, heirs, distributors, guardians, and legal representatives to release the Corporation and the Released Persons from any lawsuits, actions, proceedings, claims, demands, or causes of action based on or related to the Released Matters.

**Section 6. Civil Code Section 1542.** The shareholders hereby release the Corporation and the Released Persons from all actions, claims, or demands that any shareholder, or tenant, assignee, heir, distributes, guardian, and legal representative of any shareholder now have or may hereafter have for injury or damage resulting from the Released Matters. The shareholders understand that this release is to be broadly construed to prevent any claims or actions against the Corporation and the Released Persons relating to the Released Matters. The shareholders specifically waive all rights to bring future claims against the Corporation and the Released Persons based on or related to the Released Matters that otherwise would have been available under Civil Code Section 1542, which states as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with debtor."

**Section 7. ACKNOWLEDGMENT.** THE SHAREHOLDERS HAVE ALL CAREFULLY READ THE BYLAW PROVISIONS SET FORTH IN THIS ARTICLE XIII AND FULLY UNDERSTAND ITS CONTENTS. THE SHAREHOLDERS ACKNOWLEDGE AND AGREE THAT THESE BYLAW PROVISIONS CONSTITUTE A CONTRACT BETWEEN THE SHAREHOLDERS AND THE CORPORATION (INCLUDING THE RELEASED PERSONS) AND THAT THE SHAREHOLDERS (AND ALL OTHER PERSONS ON WHOSE BEHALF THE SHAREHOLDER ENTERS THIS AGREEMENT) ARE BOUND TO THE TERMS AND CONDITIONS OF THESE BYLAW PROVISIONS. THE SHAREHOLDERS ARE AWARE THAT THIS IS A RELEASE OF LIABILITY AND A CONTRACT BETWEEN THEMSELVES (AND ALL OTHER PERSONS ON WHOSE BEHALF THE SHAREHOLDER ENTERS THIS AGREEMENT) AND THE CORPORATION AND/OR THE RELEASED PERSONS AND AGREE TO IT OF THEIR OWN FREE WILL. THE SHAREHOLDERS FURTHER ACKNOWLEDGE THAT THEY HAVE BEEN PRESENTED SEVERAL ALTERNATIVE PROPOSALS TO ADDRESS THE ISSUE OF LIABILITY ARISING OUT OF THE RELEASED MATTERS AND HAVE FREELY AND VOLUNTARILY ADOPTED THE TERMS AND CONDITIONS OF THIS ARTICLE XIII IN LIGHT OF THESE ALTERNATIVES.

#### **ARTICLE XIV**

#### **MISCELLANEOUS**

**Section 1. Recordation.** A certified copy of these Bylaws shall be recorded in the office of the County Recorder of Sutter County and Sacramento County. Certificates for shares of stock in the Corporation certified by the Secretary, or by the Assistant Secretary, of the Corporation, shall also be recorded in the office of the County Recorder of the county in which the lands described in such certificates are situated.

**Section 2. Use of Water.** All water arising from water rights owned or possessed by the Corporation may be utilized either by (i) the shareholders of the Corporation, and on lands situated within the Service Area, on which such shares shall be located, and for which no delinquency exists under Article XII; or (ii) non-shareholders upon such terms and conditions established by the Board of Directors in accordance with applicable law.

**Section 3. Rules and Regulations.** The Board of Directors shall have the power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation or these Bylaws, as it may deem advisable for use of water and the management of the business and

affairs of the Corporation, including provision for equitable apportionment of water supply in the event of a water shortage.

Section 4. Statutes and Regulations. Any reference to a specific statute or regulation incorporates in its reference any successor statute or regulation.

## ARTICLE XV

### DISSOLUTION

Dissolution of the Corporation may only occur with the consent of the owners of at least fifty percent (50%) of the shares outstanding. In the event of dissolution of the Corporation, after all of the Corporation's debts and liabilities have been paid or provided for in accordance with the General Corporation Law, the remaining assets of the Corporation shall be distributed to the shareholders in proportion to their patronage with the Corporation. For purposes of the preceding sentence, each shareholder's patronage shall be increased by the amount of such shareholder's proportionate share of any gains from the disposition of assets of the Corporation and decreased by (i) the amount of such shareholder's proportionate share of any losses from the disposition of assets of the Corporation, and (ii) the amount of any debts owing from such shareholder to the Corporation. For purposes of the preceding sentence, a shareholder's proportionate share of any gain or loss shall equal such shareholder's proportionate share of total patronage with the Corporation (determined without regard to the adjustments provided for in the preceding sentence) during the period of time that the Corporation held the asset disposed of.

## ARTICLE XVI

### WITHDRAWAL OF SHAREHOLDER

Section 1. Ability to Withdraw. No shareholder shall sell any of the lands within the Service Area, except with the corresponding shares of this Corporation. In the event a shareholder desires to withdraw from the Corporation and requests the cancellation of his shares, the Board of Directors may, but shall not be obligated to, cancel said shares subject to payment by the withdrawing shareholder of a "cancellation fee" in an amount to be determined from time to time by the Board of Directors in order to compensate for the increased financial burden placed on the Corporation and its shareholders resulting from the removal of lands from the Corporation and the cancellation of the shares appurtenant thereto.

CERTIFICATION OF SECRETARY

I, the undersigned, do hereby ratify:

1. That I am the duly elected and acting Secretary of NATOMAS CENTRAL MUTUAL WATER Corporation, a California corporation; and

2. That the foregoing Bylaws comprised of nineteen pages constitute a true and correct copy of the Bylaws adopted at a meeting of the shareholders of NATOMAS CENTRAL MUTUAL WATER Corporation held on February 9, 1999.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Corporation this 3rd day of March, 1999.

Secretary

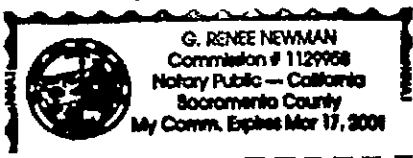
STATE OF CALIFORNIA )

) ss.:

COUNTY OF Sacramento)

On this 3rd day of March in the year 1999, before me duly commissioned and sworn, personally appeared Dan Spangler, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal in the County of Sutter on the date set forth above in this Certificate.



G. Renee Newman  
Notary Public  
State of California

My commission expires

March 17, 2001

SERVICE AREA  
NATOMAS CENTRAL MUTUAL WATER COMPANY

Lands Covered by Natomas Mutual Water Company's Water Rights					
Township	Range	Section	1/4		1/4
11N	4E	4	A PORTION OF THE A PORTION OF THE A PORTION OF THE	SE SW SE	SW SE SE
11N	4E	8	A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE	SW SE NE SW SE NE	SW SW SW SE NE NE NE
11N	4E	9	A PORTION OF THE A PORTION OF THE	SW SE NW NE SW SE NW NE	SW SE NW NW NW NE NE NE NE
11N	4E	10	A PORTION OF THE A PORTION OF THE A PORTION OF THE	SW SE NW SW	SW SW SW NW
11N	4E	15	A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE	SW SE NW SW SE NW NE SW	SW SE SE SE NW NW NW NE
11N	4E	16			
11N	4E	17			
11N	4E	18	A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE	SW SE NW NE SW SE SW SE NW NE	SW SW SW SW SE NW NW NE NE NE

Lands Covered by Natomas Mutual Water Company's Water Rights					
Township	Range	Section	1/4		1/4
11N	4E	19			
11N	4E	20			
11N	4E	21			
11N	4E	22	A PORTION OF THE A PORTION OF THE	SW SE NW NE NE NE	SW SE NW NE NE NE
11N	4E	23	A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE	SW SE NW SW	SW SW SW NW
11N	4E	26	A PORTION OF THE A PORTION OF THE	SW SE NW NE	SW NW NW NW NW
11N	4E	27			
11N	4E	28			
11N	4E	29			
11N	4E	30			
11N	4E	31			
11N	4E	32			
11N	4E	33			
11N	4E	34			
11N	4E	35	A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE	SW NW SW NW	SW SE SE NW NE NE
11N	3E	13	A PORTION OF THE A PORTION OF THE A PORTION OF THE	SW SE NE	SE SE SE

Lands Covered by Natomas Mutual Water Company's Water Rights					
Township	Range	Section	1/4		1/4
11N	3E	24	A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE	NW NE SW SE NW NE	SW SW SE NW NW NW NE
10N	4E	1			SW NW
10N	4E	2			
10N	4E	3			
10N	4E	4			
10N	4E	5			
10N	4E	6			
10N	4E	7			
10N	4E	8			
10N	4E	9			
10N	4E	10			
10N	4E	11			
10N	4E	12	A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE	SW NW SW NW	SW SE SE NW NE NE
10N	4E	13	A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE	SW SE NW NE SW SE NW NE	SW SE SE SE SE NW NE NE NE
10N	4E	14			
10N	4E	15			
10N	4E	16			

Lands Covered by Natomas Mutual Water Company's Water Rights				
Township	Range	Section	1/4	1/4
10N	4E	17		
10N	4E	18		
10N	4E	19		
10N	4E	20		
10N	4E	21		
10N	4E	22		
10N	4E	23		
10N	4E	24	A PORTION OF THE SW A PORTION OF THE SE A PORTION OF THE NW A PORTION OF THE SE A PORTION OF THE SW A PORTION OF THE SE A PORTION OF THE NW A PORTION OF THE NE	SW SE SE SE SE NW NE NE NE
10N	4E	25	A PORTION OF THE SW A PORTION OF THE SE A PORTION OF THE SW A PORTION OF THE SE A PORTION OF THE NW A PORTION OF THE NE	SW SE SE NW NE NE NE NE
10N	4E	26		
10N	4E	27		
10N	4E	28		
10N	4E	29		
10N	4E	30		
10N	4E	31		
10N	4E	32		
10N	4E	33		
10N	4E	34		
10N	4E	35		



Lands Covered by Natomas Mutual Water Company's Water Rights				
Township	Range	Section	1/4	1/4
10N	4E	36	A PORTION OF THE SW A PORTION OF THE SE A PORTION OF THE NW A PORTION OF THE NE	SW SE SE SE SE NW NE NE NE
10N	3E	1	A PORTION OF THE SE A PORTION OF THE NE A PORTION OF THE SE	SE SE NE
10N	3E	12	A PORTION OF THE SW A PORTION OF THE SE A PORTION OF THE NW A PORTION OF THE SW A PORTION OF THE SE A PORTION OF THE NW A PORTION OF THE NE	SE SE SE NE NE NE NE
10N	3E	13	A PORTION OF THE SE A PORTION OF THE NE	SW SW SE NE
10N	3E	23	A PORTION OF THE SE A PORTION OF THE SW A PORTION OF THE SE A PORTION OF THE NW A PORTION OF THE NE A PORTION OF THE SE	SW SE SE SE SE NE
10N	3E	24	A PORTION OF THE SW A PORTION OF THE SE A PORTION OF THE NW A PORTION OF THE NE	SW SE NW NW NW NW NE
10N	3E	25		
10N	3E	26	A PORTION OF THE SW A PORTION OF THE SE A PORTION OF THE NW A PORTION OF THE NE	SW SE NW NW NW NW NW

Lands Covered by Natomas Mutual Water Company's Water Rights					
Township	Range	Section	1/4		1/4
10N	3E	35	A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE	SE NW NE SW SE NW NE SW SE NW NE	SE SE SE NW NW NW NW NE NE NE NE NE
10N	3E	36			
9N	3E	1	A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE	SE NW NE SE NW NE NW NE SE SW	SE SE SE NW NW NW NE NE NE NE
9N	4E	1	A PORTION OF THE A PORTION OF THE A PORTION OF THE	SW SE NW NE	SW SE SE SE SE NW NE
9N	4E	2			
9N	4E	3			
9N	4E	4			
9N	4E	5			
9N	4E	6			
9N	4E	8	A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE	NE SW SE NW NE NW NE SW SE	SW SE SE SE SE NW NW NW NW NE

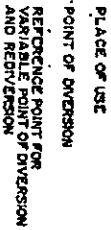
Lands Covered by Natomas Mutual Water Company's Water Rights					
Township	Range	Section	1/4		1/4
9N	4E	9			
9N	4E	10			
9N	4E	11			
9N	4E	12			
9N	4E	13			
9N	4E	14			
9N	4E	15			
9N	4E	16			
9N	4E	17	A PORTION OF THE A PORTION OF THE A PORTION OF THE	SE NE SE NW NE	SE SE NE NE NE
9N	4E	20	A PORTION OF THE A PORTION OF THE A PORTION OF THE A PORTION OF THE	SE NE SE NE	SE SE NE NE
9N	4E	21			
9N	4E	22			
9N	4E	23	A PORTION OF THE A PORTION OF THE  A PORTION OF THE A PORTION OF THE	SW NW  SW SE NW NE	SW SE SE NW NE NE NE NE
9N	4E	26	A PORTION OF THE	SW NW NW	NW NW SW
9N	4E	27	A PORTION OF THE  A PORTION OF THE	NW  NE	SW NW NE SE

Lands Covered by Natomas Mutual Water Company's Water Rights					
Township	Range	Section		1/4	1/4
9N	4E	28	A PORTION OF THE	NE	SW
			A PORTION OF THE	NW	SW
			A PORTION OF THE	SE	SW
			A PORTION OF THE	SW	SE
			A PORTION OF THE	SE	SE
				NW	SE
			A PORTION OF THE	NE	SE
			A PORTION OF THE	SW	NW
				SE	NW
			A PORTION OF THE	NW	NW
				NE	NW
					NE

**FORMS OF INVESTMENT**

Accession	Location	Ref. Access
A-1334	US-830	150126
A-1334	US-815	151434
A-1301	US-802	1708354
A-1311	US-810	1709350
A-1317	US-834	2004000
A-1320	US-799	2004000
Accession Ref. Appl. Location	-	10000-00

**TABLE B**



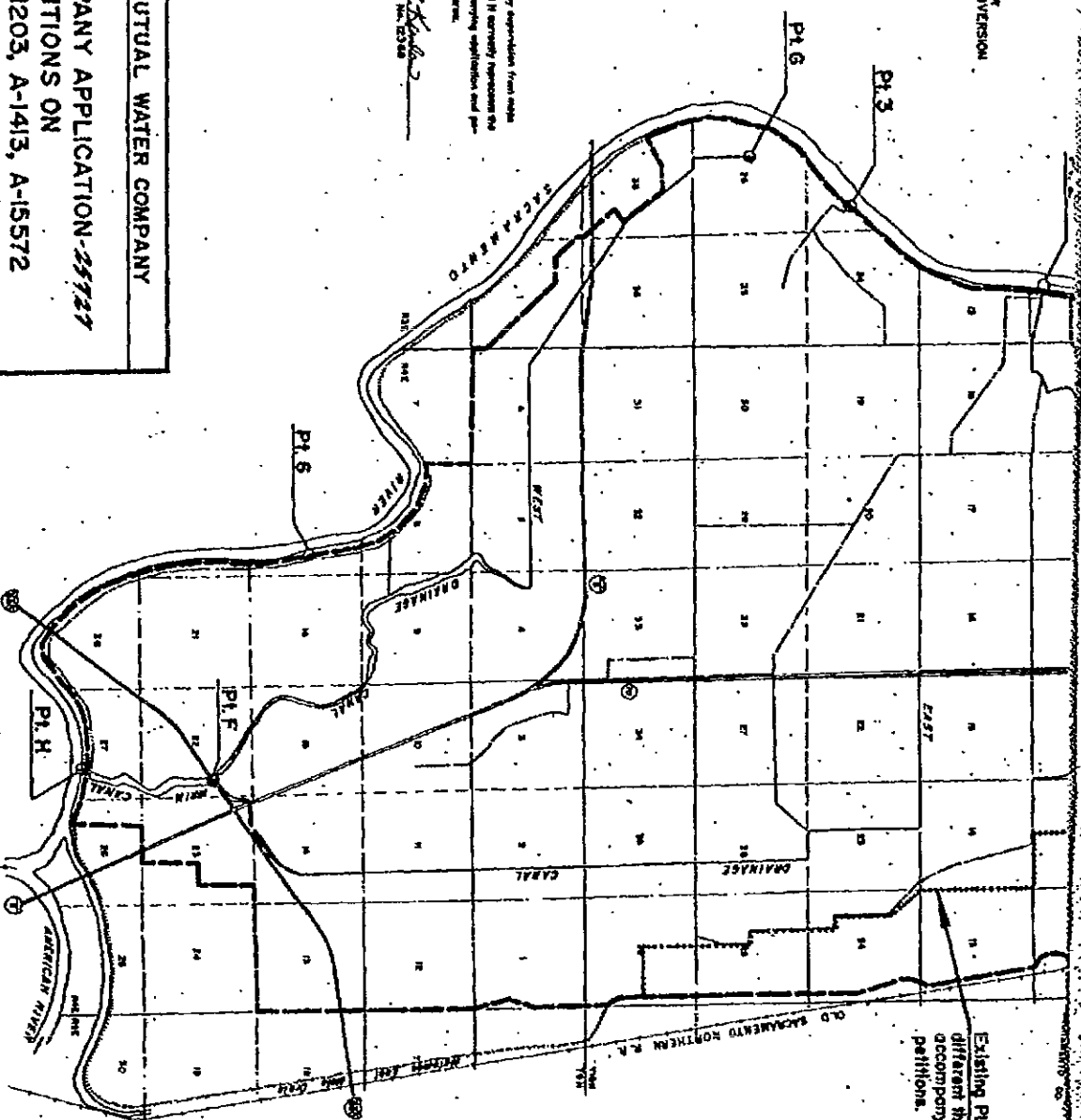
PLACE OF USE  
POINT OF DIVERSION  
REFERENCE POINT FOR  
NATURAL POINT OF DIVERSION  
AND REVERSION

I, D.E. Gordon, certify that this map was prepared under my supervision from notes and other information which, before to be accurate, and that it correctly represents the points of diversion and place of use described in the accompanying application and petitions, and the location of the stream and lands to be used.

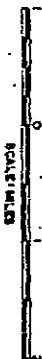
April 22, 1978



*D.E. Gordon*  
Engineer No. 22348



Existing PLACE OF USE where  
different than place of use under  
accompanying application and  
petitions.



NATOMAS CENTRAL MUTUAL WATER COMPANY

MAP TO ACCOMPANY APPLICATION-25727  
AND PETITIONS ON  
A-534, A-1056, A-1203, A-1413, A-15572  
AND A-22309

MURRAY, BURNS AND KIENLEN  
CONSULTING CIVIL ENGINEERS  
1107 NINTH ST., SACRAMENTO, CA