

RESTATED BYLAWS
OF
LAZY H MUTUAL WATER CO.

WHEREAS, ARTICLES I, II, III and VI, and former Article VIII of the Bylaws of Lazy H Mutual Water Co. should be amended and a new Article IX should be added to increase the notice period and establish a quorum for shareholder meetings; change the times of and establish a quorum for Directors' meetings; set forth the lands and basis for which appurtenant shares may be issued and transferred; make additional provisions for the assessment of shares and establish delinquency charges; and provide that water will be delivered only to shareholders; and

WHEREAS, all amended, added and unamended provisions of the Bylaws should be incorporated into these Restated Bylaws,

NOW, THEREFORE, the following are adopted as the Restated Bylaws of Lazy H Mutual Water Co. effective March 3, 1984:

ARTICLE I. SHAREHOLDERS' MEETINGS.

Section 1. Annual Meetings. The annual meeting of the shareholders of the Corporation shall be held each year at Pauma Valley, California, on the first Saturday of each March, at 2:00 o'clock P. M. for the purpose of election of directors and to transact such other business as may properly come before the meeting.

Section 2. Special Meetings. Special meetings of shareholders shall be called by the Board of Directors, the President, or holders of at least one-fifth of all shares to be held at Pauma Valley, California, and the Secretary shall give notice thereof as hereafter provided.

Section 3. Notice of Meetings. Written notice stating the time and place of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose(s) for which the meeting is called, shall be delivered not less than ten (10) days nor more than thirty (30) days before the date of the meeting, either personally or by mail, to each shareholder. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his address as it appears on the records of the Corporation, with postage prepaid. The failure of any shareholder to receive notice of an annual or special meeting shall not invalidate any action which may be taken at any such meeting.

Section 4. Quorum. Holders of fifty percent (50%) of the total number of shares (present in person or by proxy) shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person or by proxy may adjourn the meeting from time to time without further notice.

Section 5. Voting. A shareholder shall be entitled to only one vote for each share held upon each matter submitted

to a vote at a meeting. All questions shall be decided by a majority vote thereon in person or by proxy, except as otherwise provided by law, the Articles of Incorporation or these Bylaws. The manner of voting may be by ballot, mail, or any reasonable means provided in these Bylaws and amendments thereto or as directed by the Board of Directors.

Section 6. Proxies. At any meeting of shareholders, a shareholder entitled to vote may vote by proxy executed in writing by the member or by his duly authorized attorney in fact. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

Section 7. Informal Action. Any action required by law to be taken at a meeting of the shareholders, or any action which may be taken at such meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the shareholders entitled to vote thereon.

ARTICLE II. BOARD OF DIRECTORS.

Section 1. Number and General Powers. The management and control of the business of the Corporation shall be vested in a five (5) person Board of Directors elected at the annual meeting of shareholders for a term of one year and to hold office until their successors are elected and qualify. The Board of Directors may employ such agents as it deems advisable.

No single expenditure shall be made by the Board

of Directors in excess of \$10,000 without the vote or written assent of the holders representing a majority of the outstanding shares.

Section 2. Vacancies. Vacancies in the Board of Directors may be filled by a majority of remaining directors, though less than a quorum or the only one, at a special meeting called for that purpose. Shareholders may elect directors at any time to fill vacancies not filled by the Board. Directors so elected shall hold office until his successor is elected and qualified at an annual shareholders' meeting. The Board of Directors or shareholders may elect successors to take office upon a resignation to take effect at a future time.

ARTICLE III. DIRECTORS' MEETINGS.

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held each month at Pauma Valley, California, at such time as the Board may adopt from time to time by resolution.

*Amended
3-1-97
to Quarterly*

Section 2. Special Meetings. Special meetings of the Board of Directors may be called at any time by the President, or, in his absence, by the Vice President, or by any two directors, to be held at Pauma Valley, California. Notice of special meetings of the Board of Directors shall be given to each director by three (3) days' service of the same by telegram, letter or personally.

Section 3. Quorum. Three (3) members of the Board of Directors shall constitute a quorum for all purposes.

ARTICLE IV. OFFICERS.

Section 1. Officers. The officers of the Corporation shall consist of a President, Vice President, Treasurer and Secretary who shall be elected for one year by the Board of Directors at its first meeting after the annual meeting of shareholders, and who shall hold office until their successors are elected and qualify. The office of Secretary and Treasurer may be held by the same person. Any vacancies in office arising from death, resignation, or otherwise, may be filled by the Board of Directors at any regular or special meeting. The duties of the officers shall be such as are usually imposed upon such officials of corporations and as are required by law, and such as may be assigned to them, respectively, by the Board of Directors from time to time.

ARTICLE V. CORPORATE SEAL.

Section 1. Seal. The seal of the Corporation shall consist of two concentric circles with the name of the Corporation lettered between the circles and "Incorporated 1954" inside the smaller circle.

ARTICLE VI. SHAREHOLDERS.

Section 1. Shareholders. Shareholders of the Corporation shall be limited to owners of lots or parcels of real property in Pauma Valley, California in the following area to be served by the Corporation:

A. Lazy H Country Homes Tract according to map thereof No. 3291 filed in the office of the San Diego County Recorder on August 25, 1955 (San Diego County Assessor's

Parcel Nos. 132-120-02 through 132-120-21, inclusive; 132-120-23 through 132-120-27, inclusive; 132-120-33, 132-120-34, 132-120-36 through 132-120-38, inclusive; 132-120-41, 132-120-44 through 49, inclusive; 132-120-51, 132-120-52 and 132-120-56).

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58 & 59
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B. Parcels 1, 2 and 3 of Parcel Map No. 3916 filed in the office of San Diego County Recorder July 10, 1975 (Assessor's Parcel Nos. 132-120-53 through 132-120-55, inclusive).

Parcels
16 & 17
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A lot or parcel of land held as community property shall qualify the owners thereof for one (1) share certificate which shall be in the name of one of the spouses. As to any lot or parcel of land held in joint tenancy, tenancy in common, or in the name of a partnership or in any other way, only one (1) person of any number of such co-owners shall be a shareholder of this Corporation.

Section 2. Eligibility for Holding Shares. All persons who become owners of lots or parcels of property, as defined and described in Section 1 of this Article VI shall, by reason of such ownership become shareholders of the Corporation and be issued one (1) share certificate in the Corporation for each lot or parcel so owned subject to any required payments.

Section 3. Cancellation. Absent the written consent of a majority of the Board of Directors or shareholders, no shareholder may cancel his share or shares. In no event shall cancellation relieve the shareholder so cancelling of

the obligation to pay any dues, assessments, or other charges theretofore accrued and unpaid.

Section 4. Transfer of Shares. Shares in this Corporation are transferable or assignable only with the transfer or assignment of the lot or parcel of land to which it is appurtenant.

Section 5. Rights and Liabilities. No shareholder of the Corporation shall have any right, title or interest in or to any property or assets of the Corporation, except upon dissolution.

The private property of the shareholders shall be exempt from execution or other liability for any debts of the Corporation and no shareholder shall be liable or responsible for any debts or liabilities of the Corporation.

ARTICLE VII. SHARE CERTIFICATES.

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

Section 2. Shares Appurtenant. Share certificates shall be appurtenant to the lots and real property as the same are described and set forth above in Article VI of these Bylaws and shall not be transferable except with the conveyance of the lot or other real property for which said certificate is issued. No fractional certificates shall be issued. Such conveyance shall effect the transfer of the certificate appurtenant to that particular lot or real property to its transferee.

Section 3. One Share Per Lot. Except as provided in Section 4 of this Article VII, shares shall be issued on the basis of one (1) share for each lawfully divided lot or parcel of land regardless of common ownership of one or more lots or parcels.

Section 4. Multiple Shares For Designated Lots. Assessor's Parcel No. 132-120-36 shall have seven (7) shares;

Assessor's Parcel No. 132-120-52 shall have eight (8) shares;

Assessor's Parcel No. 132-120-45 shall have two (2) shares.

Upon the lawful division of any of the parcels described in this Section 4, the shares shall be equitably apportioned among the divided parcels as designated by the owner before division subject to the approval of the Corporation. In no event shall the sum of the shares for divided parcels be less than the number of shares designated above. Should the division result in more lots than shares, the owner before division shall designate which of the divided lots shall be issued shares and before water will be provided to the parcels without shares the new owner shall apply and pay for the cost of issuance of shares.

Section 5. Payment of Costs. In addition to an equitable payment to the Corporation for new shares issued by reason of subdivision of parcels or lots, the new shareholder shall pay all costs incurred by the Corporation in obtaining necessary approvals for the issuance of shares.

*Amended
7/11/00*

Section 6. Nontransferability. Share certificates of the Corporation are not transferable or assignable except as specifically provided in these Bylaws.

Section 7. Transfer Fee. All transfers of share certificates shall be subject to a transfer fee in an amount fixed by the Board of Directors from time to time and to the payment of all indebtedness to the Corporation of the shareholder whose certificate is transferred.

ARTICLE VIII. ASSESSMENTS, WATER RATES, DELINQUENCY CHARGES AND CANCELLATION OF SHARES.

Section 1. Assessments. To the extent funds are not otherwise provided for through water rates, assessments for the installation, depreciation, maintenance and operation of the pipelines and water system owned by the Corporation, or for such other uses as are required for the acquisition and furnishing of water to the shareholders, may be levied by the Board of Directors or the shareholders from time to time as deemed necessary and any such assessments shall be delinquent thirty (30) days from the date of the call therefor mailed postage prepaid from the office of the Corporation to such shareholders at their address on file with the Secretary unless a later date is prescribed in such call.

Section 2. Delinquency Charges and Attorneys' Fees.

Delinquent assessments, water charges and other charges shall be subject to such delinquency charges as may be fixed by the Board of Directors, and there shall be added to the

amount of any such delinquent assessment and charges all costs and reasonable attorneys' fees incurred by the Corporation with or without suit in collecting assessments and charges. Failure of any shareholder to pay any assessment or other charge when due may in the discretion of the Board of Directors be cause to suspend the right to use water from the Corporation system until full payment is made. However, the defaulting member shall be entitled to a hearing before the Board of Directors at a time and place to be fixed by the Board of Directors and the decision of a majority of the Board of Directors at any such hearing shall be final.

Section 3. Cancellation of Share Certificate. The Board of Directors may, by affirmative vote of four-fifths of its members, after an appropriate noticed hearing, cancel the share certificate of any shareholder who becomes in default in the payment of assessments for the period fixed in Section 1 of this Article.

Section 4. Reinstatement. Upon the written request signed by a former shareholder or successor in interest of the lot to which the share certificate was appurtenant and filed with the Secretary, the Board of Directors may reinstate such former shareholder's share certificate upon such terms as the Board of Directors may deem appropriate, including payment of all delinquent assessments, delinquency charges and attorneys' fees.

Section 5. Uniform Assessments. Absent a finding by a

majority of the Board of Directors or shareholders of special benefit to a particular lot, assessments shall be apportioned equally among all outstanding shares. The repair or replacement of existing pipelines and facilities shall not constitute a special benefit. The cost of providing service from existing main lines shall be borne by the benefited lot.

ARTICLE IX. RESTRICTIONS ON CORPORATE POWERS.

Section 1. Restrictions on Water Use. This Corporation shall only develop, distribute, supply or deliver water for domestic and golf course irrigation uses to its shareholders at cost and only for use upon the lands to which shares are appurtenant.

Section 2. Other Permitted Uses and Contracts. Notwithstanding Section 1, the Corporation may sell water to the State, or any department or agency thereof, or to any school district, or to any public agency, or, to any other mutual water company or, during any emergency resulting from fire or other disaster involving danger to public health or safety, to any person at cost, and may enter into a contract with a fire protection agency to furnish water to fire hydrants and for fire suppression or fire prevention purposes at a flat rate per hydrant or other connection.

ARTICLE X. AMENDMENT OF BYLAWS.

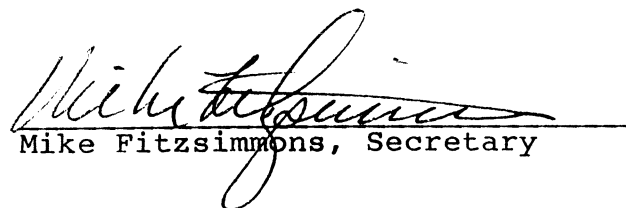
Section 1. Amendments. These Bylaws may be amended or repealed, or new Bylaws may be made and adopted, at any annual or special meeting of shareholders called for that

purpose, by the vote or written assent of the holders representing a majority of the outstanding shares, or by a vote of the majority of the Board of Directors at a regular or special meeting of the Board.

Added
Article XI
3/14/88
Indemnified

CERTIFICATE OF SECRETARY

The foregoing Restated Bylaws of Lazy H Mutual Water Co. are hereby certified to be the true and correct original Restated Bylaws adopted by a majority vote of the shareholders at the Annual Meeting of Shareholders held March 3, 1984.


Mike Fitzsimmons, Secretary

LAZY H MUTUAL WATER COMPANY

Amendment to By-Laws

ARTICLE XI. INDEMNIFICATION

Section 1. Right of Indemnity:

To the fullest Extent permitted by law and California Corporations Code sections relating to non profit mutual benefit Corporations, Lazy H Mutual Water Company (LHMWC) shall indemnify its directors, officers, employees, and other persons authorized to be indemnified by law, if any such person acted in good faith and in a manner such person reasonably believed to be in the best interests of LHMWC, against all awards, expenses, judgments, fines, settlements, and other amounts including attorneys' fees and costs actually and reasonably incurred by them in connection with any "proceeding", as that term is used in the provisions relating to nonprofit mutual benefit corporations and including an action by or in the right of LHMWC, by reason of the fact that the person is or was a person described in these provisions.

Section 2. Advancement of Expenses:

To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under Article XI Section 1, of these by laws in defending any proceeding covered by that section may at the discretion of the Board be advanced by the LHMWC before final disposition of the proceeding on receipt by the LHMWC of an undertaking by or on behalf of that person.

Section 3. Insurance:

LHMWC shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, directors, employees, and other agents against any liability asserted against or incurred by any Officer, director, employee, or agent in such capacity or arising out of the officer's, director's, employee's, or agent's status as such.

**RESOLUTION OF THE BOARD OF DIRECTORS
AMENDING LAZY H MUTUAL WATER COMPANY BY-LAWS**

Article VII. Section 4. Multiple Shares for Designated Lots

WHEREAS, it is the desire of the board of directors to amend the Bylaws of Lazy H Mutual Water Company to reflect Treasury Stock be issued upon lawful division of a designated Multiple Share lots, and

WHEREAS, Article VII. Section 4 of the Lazy H Mutual Water Company Bylaws inadvertently did not list assessors parcel number 132-120-44 as a multiple share lot. It is the desire of the Board of Directors to add assessors parcel number 132-120-44 as a multiple share lot in Section 4 of the bylaws to be consistent with Corporation Commission Permit #136563LA dated 7/17/58 under certificate #14.

NOW, THEREFORE, BE IT RESOLVED, that the Bylaws of Lazy H Mutual Water Company be amended to reflect Treasury Stock be issued upon lawful division of a designated multiple share lot and assessors parcel number 132-120-44 be added as a multiple share lot under Article VII Section 4 to read as follows:

Section 4. Multiple Shares for Designated Lots. Assessor's Parcel No. 132-120-36 (*Landowners*) shall have ten (10) shares, seven (7) shares issued and 3 shares held in treasury until the parcel is divided; Assessors Parcel No. 132-120-44 (*Becker*) shall have 2 shares, 1 share issued and 1 share held in treasury until the parcel is divided; Assessor's Parcel No. 132-120-52 (*Lazy H Ranch*) shall have eight (8) shares; Assessor's Parcel No. 132-120-45 (*Humphrey*) shall have four (4) shares, 1 share issued and three (3) shares held in treasury until the parcel is divided.

Upon the lawful division of any of the parcels described in this Section 4, the shares shall be equitably apportioned among the divided parcels as designated by the owner before division subject to the approval of the Corporation. In no event shall the sum of the shares for divided parcels be less than the number of shares designated above. Should the division result in more lots than shares, the owner before division shall designate which of the divided lots shall be issued shares and before water will be provided to the parcels without shares the new owner shall apply and pay for the cost of issuance of shares.

CERTIFICATE OF SECRETARY

The foregoing is a true and correct original Resolution of the Board of Directors Amending Bylaws of Lazy H Mutual Water Company adopted by the board at regular quarterly meeting held on July 11, 2000.



Secretary