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Amended
By-Laws of Highlands Water Company
Document Title

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BY-LAWS OF HIGHLANDS WATER COMPANY

ARTICLE I.

MEETING OF SHAREHOLDERS

Section 1. All annual meetings of the shareholders of HIGHLANDS WATER COMPANY shall be held at its principal office at Clearlake, Lake County, California, at six o'clock in the evening on the Second Wednesday of April of each year, at which time there shall be elected by the shareholders of the Company, by ballot, a Board of five Directors for the ensuing year, and the shareholders shall also transact such other business as shall properly come before such meeting.

Section 2. Ten percent of the shares issued and outstanding, represented either in person or by proxy, shall constitute a quorum for the transaction of business. Each shareholder in good standing, shall be entitled to one vote for each share held in their name on the books of the Company, whether represented in person or by proxy.

Section 3. Written notice of each annual meeting shall be given, either personally or by sending a copy of the Notice through the mail, to each shareholder entitled to vote, postage prepaid, to the address appearing on the books of the Company, or if no such address appears, at the last known place of address, at least ten days prior to the annual meeting, or Notice may be given by legal publication. If a quorum be not present at the annual meeting, the shareholders represented in person or by proxy, may adjourn to such future time as shall be agreed upon by those present. If a quorum be present, they may adjourn from day to day as they see fit and no Notice of such adjournment need be given.

Section 4. Special meetings of the shareholders may be called at any time by the President, or by the Board of Directors, or any three Directors thereof, or by the holders of a majority of the outstanding shares of the Company. The Secretary shall mail a Notice of such a call to each shareholder of the Company, at least ten days before such meeting, and such Notice shall state the time and place of such meeting and the object and general nature of the business to be transacted, or such Notice may be given by legal publication.

ARTICLE II.

DIRECTORS

Section 1. Powers: Subject to limitations of the Articles of Incorporation, of the By-Laws, and to the duties of the Directors as prescribed by law and by the By-Laws, all corporate powers shall be exercised by, or under the authority of, and the business and affairs of the corporation shall be controlled by, the Board of Directors. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Directors shall have the following powers, to-wit:

First: To select or remove all the other officers, agents and employees of the corporation, prescribe such powers and duties for them as may not be inconsistent with law, with the Articles of Incorporation or the By-Laws, fix their compensation and require from them security for faithful service.

Second: To conduct, manage and control the affairs, and business of the corporation, and to make such rules and regulations therefor not inconsistent with law, with the Articles of Incorporation, nor the By-Laws, as they may deem best.

Third: To adopt, make or use a corporate seal and to prescribe the forms of Certificates of Stock, and to alter the form of such seal and such Certificates from time to time as in their judgment they may deem best, provided such seal and such Certificates shall at all times comply with the provisions of law.

Fourth: To authorize the issuance of shares of stock of the corporation from time to time, upon such terms as may be lawful, and in conformity with the By-Laws of this corporation.

Fifth: **To Buy and Sell Real and Personal Property as well as to** borrow money and incur indebtedness for the purposes of the corporation, and to cause to be executed and delivered therefor, in the corporate name, Promissory Notes, Bonds, Debentures, Deeds of Trust, Mortgages, Pledges, Hypothecations, or other evidences of debt and securities therefor.

Section 2. Number and Qualifications of Directors: The Board of Directors shall consist of the number of Directors named in the Articles of Incorporation until changed by amendment of the Articles.

Section 3. Election and Term of Office: The Directors shall be elected at each annual meeting of shareholders, but if any such annual meeting is not held, or the Directors are not elected thereat, the Directors may be elected at any special meeting of shareholders held for that purpose. All Directors shall hold office until their respective successors are elected.

Section 4. Vacancies: Vacancies in the Board of Directors may be filled by a vote of the majority of the remaining Directors, though less than a quorum, and each Director so elected shall hold office until their successor is elected at an annual meeting of shareholders, or at a special meeting of shareholders called for that purpose. A vacancy, or vacancies, shall be deemed to exist in case of death, resignation or removal of any Director. The shareholders may at any time elect Directors to fill any vacancy not filled by the Directors. If any Director tender their resignation to the Board of Directors, the Board shall have power to elect a successor to take office at such time as the resignation shall become effective.

Section 5. Place of Meetings: All meetings of the Board of Directors shall be held at the principal office of the corporation, or at any other place within or without the State of California, designated at any time by Resolution of the Board or by written consent of all members of the Board.

Section 6. Regular Meetings: Regular Meetings of the Board of Directors shall be held on the last Wednesday of each month at the principal office of the corporation, at Clearlake, Lake County, California, at seven o'clock in the evening, or at such other time and place as the Board of Directors, by Resolution, may designate.

Section 7. Organization Meeting: Immediately following the annual meeting of shareholders, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other businesses. Notice to the Directors of such meeting is hereby dispensed with.

Section 8. Special Meetings: Special Meetings of the Board of Directors for any purpose, or purposes, may be called at any time by the President, or, if the President is absent or unable or refuses to act, by any three Directors. Written Notice of the time and place of special meetings shall be delivered personally to the Directors or sent to each Director by letter, postage prepaid, addressed to the Director at the address as shown upon the books of the corporation or, if it is not so shown, or is not readily ascertainable, at Clearlake, Lake County, California. In case such Notice is mailed, it shall be deposited in the United States Mail in the place in which the principal office of the corporation is located, at least 48 hours prior to the time of the holding of the meeting. In case such Notice is delivered as above provided, it shall be so delivered at least 24 hours prior to the time of the holding of the meeting. Such mailing or delivery as above provided, shall be due, legal and personal Notice to each Director.

Section 9. Waiver of Notice to the Directors: The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, shall be valid as though had at a meeting duly held after regular call and notice to the Directors, if a quorum be present, and if, either before or after the meeting, each of the Directors not present sign a written Waiver of Notice or a Consent to holding 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.

Section 10. Quorum: A majority of the members of the Board of Directors, as fixed by the Articles of Incorporation, shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the Directors present at a meeting duly held in which a quorum is present shall be regarded as the act of the Board of Directors.

Section 11. Adjournment: A quorum of the Board of Directors may adjourn any Directors' meeting to meet again at a stated day and hour. In the absence of a quorum, the Directors present at any Directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Section 12. Notice to Eligible Persons: Notice of meetings of the Board of Directors shall be given to the following eligible persons: shareholders of the company; an occupant of commercial space or a dwelling unit to which the Company sells, distributes, supplies, or delivers drinking water; an elected official of a city or county who represents people who receive drinking water directly from the Company on a retail basis. Except for an emergency meeting of the Board of Directors or a meeting that will be held solely in executive session, eligible persons shall be given notice of the time and place of a meeting at least four days prior to the meeting. Eligible persons shall be given notice of the time and place of a meeting that will be held solely in executive session at least two days prior to the meeting.

Notice shall be given by posting the notice in a prominent, publicly accessible place or places within the territory served by the Company and by mail to any eligible person who had requested notification of Board meetings by mail. Notice may also be given, with the consent of the eligible person, by electronic means. The notice shall contain the agenda for the meeting.

ARTICLE III.

OFFICERS

Section 1. The officers of this corporation shall be a President, Vice-President, Secretary and a Treasurer. One person may hold two or more offices, except those of President and Secretary.

Section 2. Election of Officers: The officers of the corporation shall be chosen annually by the Board of Directors, and each shall hold their office until the officer shall resign or shall be removed or otherwise disqualified to serve, or the officer's successor shall be elected and qualify.

Section 3. Subordinate Officers: The Board of Directors may appoint such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties, as are provided by the By-Laws, or as the Board of Directors may, from time to time, determine.

Section 4. Executive Committee: The Board of Directors may, in their discretion, appoint from their own number an Executive Committee of three members and such Executive Committee shall be vested with all powers of the Board of Directors, when such Board is not in session.

Section 5. Vacancies: A vacancy in any office because of death, resignation, removal, disqualification or any other cause, shall be filled in the manner prescribed in the By-Laws for regular appointments to such office.

Section 6. 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 officers of the corporation. The President shall preside at all meetings of the shareholders and at all meetings of the Board of Directors. The President 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 by the By-Laws.

Section 7. Secretary: The Secretary shall keep or caused 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, with 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 shareholders present or represented at Shareholders' Meetings, and the proceedings thereof.

The Secretary shall keep or cause to be kept, at the principal office of the corporation, a Share Register, showing the names of the shareholders and their addresses, the number of shares held by each, the number and date of Certificates issued for the same, and the number and date of the cancellation of every Certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, a Notice of all the meetings of shareholders and of the Board of Directors required by the By-Laws to be given, and shall keep the seal of the corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by the By-Laws.

Section 8. Treasurer: The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts and disbursements. The books of account shall at all times be open for inspection by any Director.

The Treasurer shall deposit all moneys and other valuables in the name, and to the credit, of the corporation with such depositaries as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the corporation as may be ordered by the Board of Directors, shall render to the President and the Directors, whenever they request it, an account of all of the Treasurer's transactions, as Treasurer, and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by the By-Laws.

ARTICLE IV.

AMENDMENTS

Section 1. By-Laws may be adopted, amended or repealed by the vote or the written assent of shareholders in good standing entitled to exercise a majority of the voting power of the corporation. Subject to the right of shareholders to adopt, amend or repeal the By-Laws, By-Laws may be adopted, amended or repealed by the Board of Directors, except that a By-Law or Amendment thereof changing the authorized number of Directors may be adopted, amended or repealed by the Board of Directors only pursuant to the provisions of the Corporations Code of the State of California.

ARTICLE V.

CERTIFICATES OF SHARES

Section 1. Certificates and Transfers: The Certificates or Shares shall be signed by the President or Vice-President and Secretary, or Assistant Secretary, and be attested by the corporate seal. Certificates or Shares may be transferred by the endorsement of the signature of the owner, or by the shareholder's attorney-in-fact, and by the delivery of the Certificate to the Secretary, and such transfer shall not be valid until the same is entered upon the books of the company, showing the name or names of the party or parties by and to whom transferred, the number of shares and the date of transfer, provided that no Certificate or Certificates of shares shall be transferred on the books of the company unless accompanied by a bona fide transfer by the owner of the real property described on the reverse side of said Certificate or Certificates, to which the Certificate or Certificates of shares sought to be transferred shall be appurtenant, and the transfer of title to any parcel of land so described on the reverse side of said Certificate or Certificates shall operate as the transfer of the share or shares appurtenant thereto. A transfer fee of not less than \$50.00 shall be paid on the transfer of each Certificate, and the Board of Directors shall have the power, by Resolution, from time to time, to increase the amount of such transfer fee.

Section 2. Membership: Any person or persons owning a lot or lots, or portion of a lot, within any of the hereinafter described subdivisions, or within such other subdivision or

subdivisions as may be hereafter created on lands within the hereinafter described unsubdivided land, or any person or persons owning any parcel or parcels of land lying within the unsubdivided portion of the hereinafter described real property shall be entitled to membership in HIGHLANDS WATER COMPANY, it being understood that one share of stock shall be issued for each lot or portion thereof in separate ownership or each unsubdivided parcel in separate ownership, which share shall be appurtenant thereto, and in no instance shall any fractional share of stock be issued.

The subdivisions and unsubdivided lands hereinbefore referred to are situate within the County of Lake, State of California, and are particularly described as follows:

(a) CLUB HOUSE ADDITION TO CLEARLAKE HIGHLANDS PORTION OF TRACTS A & B;

(b) CLUB HOUSE ADDITION TO CLEARLAKE HIGHLANDS, SECOND PORTION OF TRACTS A & B;

(c) CLUB HOUSE ADDITION TO CLEARLAKE HIGHLANDS, THIRD PORTION OF TRACTS A & B;

(d) RE-SUBDIVISION OF BLOCK 18 OF CLUB HOUSE ADDITION TO CLEARLAKE HIGHLANDS;

(e) PLAT NO. 1 TRACT B CLUB HOUSE ADDITION TO CLEARLAKE HIGHLANDS;

(f) Lots 1E, 1W, 2E, 2W, 3N, 3S, 4N, 4S, 5N, 5S, 6N, 6S, 7N, 7S, 8N, 8S, 9N, 9S, 10W, 10E, 11W, 11E, 14N, 14S, 15N, 15S, 16N, 16S, 17N, 17S, 18N, 18S, 19N, 19S, 20N, 20S, 21E, 21W, 22E and 22W in Block 1, of AUSTIN ATHLETIC AND COUNTRY CLUB TRACT NO. 1;

(g) Lots 1E, 1W, 2E, 2W, 3N, 3S, 4N, 4S, 5N, 5S, 6N, 6S, 7N, 7S, 8N, 8S, 9N, 9S, 14N, 14S, 15N, 15S, 16N, 16S, 17N, 17S, 18N, 18S, 19N, 19S, 20N, 20S, 21E, 21W, 22E and 22W in Block 3, of AUSTIN ATHLETIC AND COUNTRY CLUB TRACT NO. 1;

(h) Unit No. 1 of MOUNT KONOCTI PARK;

(i) Unit No. 2 of MOUNT KONOCTI PARK;

(j) Unit No. 3 of MOUNT KONOCTI PARK;

(k) THE NASH TRACT;

(l) PLAT NO. 5 PARKERS ADDITION TO CLEARLAKE HIGHLANDS;

(m) PLAT NO. 6 PARKERS ADDITION TO CLEARLAKE HIGHLANDS;

(n) VALLEY VISTA ADDITION TO CLEARLAKE HIGHLANDS;

(o) LAKESHORE SUBDIVISION;

(p) BELLA LAGUNA;

(q) RESUBDIVISION OF PORTION OF BLOCKS G & B OF BELLA LAGUNA AND ADDITION THERETO;

(r) CLEAR LAKE VISTA;

(s) LAKES END;

(t) LAKESIDE PARK;

(u) LAKESHORE VILLAGE;

(v) BORIE'S ADDITION TO CLEARLAKE HIGHLANDS;

(w) SUBDIVISION OF ADDITION TO BLOCK 5A, TRACT NO. 4, CLEARLAKE HIGHLANDS, INCLUDING A RESUBDIVISION OF "LOT X RESERVED" OF TRACT 4 CLEARLAKE HIGHLANDS;

(x) That portion of TRACT NO. 4 CLEARLAKE HIGHLANDS lying within the South half of the Southwest quarter of Section 27, Township 13 North, Range 7 West, M. D. M., and Westerly of Hale Avenue in said subdivision;

(y) Lot 2 and the Southwest quarter of the Northeast quarter of Section 34, Township 13 North, Range 7 West, M. D. M.;

(z) All unsubdivided lands lying within the East half of the Southeast quarter, the South half of the Northeast quarter, and all that part of the Southeast quarter of the Northwest quarter lying Southeasterly of Burns Valley Creek, all in Section 21, Township 13 North, Range 7 West, M. D. M.;

(aa) Those certain lands bounded on the East by the East line of the West half of the West half of Section 27, Township 13 North, Range 7 West, M. D. M., on the North by the South Line of 40th Avenue as shown on that certain map entitled "TRACT NO. 7 CLEARLAKE HIGHLANDS," on the West by old State Highway 53, and on the South by that certain subdivision known as BORIE'S ADDITION TO CLEARLAKE HIGHLANDS TRACT NO. 1;

(bb) Those certain lands described as BEGINNING at a point 12.40 chains North and 11.56 chains West of the quarter section corner between Sections 27 and 28, Township 13 North, Range 7 West, M. D. M., and running thence North 1.85 chains; thence West 5.41 chains; thence South 1.85 chains; and thence East 5.41 chains to the place of beginning;

(cc) All unsubdivided lands within the following described tract:

BEGINNING at the Southeast corner of Laguna Avenue as shown on that certain map entitled "RESUBDIVISION OF PORTION OF BLOCKS G & B OF BELLA LAGUNA AND ADDITION THERETO," filed in the office of the County Recorder of Lake County, California on July 25, 1924, in Vol. 3 of Town Maps at page 108, and running thence, in a general Westerly direction, along the Southerly line of said Laguna Avenue and along the South line of "BELLA LAGUNA" as shown on the official map thereof, filed in the office of the County Recorder of said Lake County on May 15, 1924, in Vol. 3 of Town Maps at page 97, to the low water line of Clear Lake; thence Southerly and Westerly, along said low water line of Clear Lake, to the Easterly bank of Cache Creek; thence Southerly and Easterly, along the Easterly and Northerly bank of said Cache Creek, to the Southeasterly corner of "LAKESHORE VILLAGE," as shown on the official map thereof filed in the office of the County Recorder of said Lake County on January 8, 1959, in Vol. 7 of Town Maps at pages 9 and 10; thence North, along the East line of said "LAKESHORE VILLAGE", to the Westerly line of the old State Highway leading from Lower Lake to Clearlake Highlands; thence, in a general Northerly direction, along the Westerly line of said old State Highway, to the point of beginning;

(dd) Walnut Addition to Clearlake Highlands;

(ee) Lake Glen Subdivision;

(ff) Clear Lake Highlands Rod & Gun Club;

(gg) Konocti View Subdivision;

(hh) Highlands Harbor;

(ii) Harbor Village;

(jj) Sunrise Estates;

(kk) Plat No. 4 Parkers Addition to Clearlake Highlands;

(ll) The Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 34 Township 13 North, Range 7 West;

(mm) A Portion of the Southeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 34, Township 13 North, Range 7 West;

(mn) A Portion of the West ½ of the Northeast ¼ of Section 22, Township 13 North, Range 7 West;

(oo) A Portion of the East ½ of the Southeast ¼ of Section 16, Township 13 North, Range 7 West;

(pp) A Portion of the East ½ of the Southeast ¼ of Section 16, Township 13 North, Range 7 West;

(qq) Section 34 Township 13 North, Range 7 West;

(rr) A portion of Sections 21, and 22 Township 13 North, Range 7 West;

(ss) Clear Lake Highlands Tract No. 6.

ARTICLE VI.

ASSESSMENTS

Section 1. Assessments for the installation, maintenance and operation of, or any other purpose related to, the pipe lines and water system, shall be levied by the Board of Directors from time to time, as they may see fit or necessary, and any such assessments shall be delinquent thirty days from the date of the call therefor, mailed from the office of the company, and all delinquent payments and assessments shall be subject to such penalties as may be fixed by the Board of Directors.

Section 2. Penalties for Default in Payment of Assessments: Failure to comply with any of the By-Laws or water regulations herein set forth, or as may be hereafter ordered by Board of Directors, shall, at the option of the Board of Directors, act as a cancellation of the right to use water from the company's system. Before any action shall be taken, however, upon any such cancellation, any member or members interested shall be entitled to a hearing before the Board of Directors at the time and place to be fixed by the Board, and the decision of the Board of Directors at any such hearing shall be final.

In addition, if a shareholder 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, the Board of Directors 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 company by the shareholder. The shareholder will be provided at least twenty (20) days' written notice before the Board of Directors authorizes any such notice of lien.

ARTICLE VII.

OPERATION OF WATER SYSTEM

Section 1. Water Master: The Board of Directors may appoint a Water Master, whose duties shall consist of supervising and assisting the installation of pipe lines, water connections and other works of the company, and who shall have charge of the distributing of water, and, subject to the approval of the Board of Directors, may employ all assistance and labor necessary therefor and discharge any person so employed. The Water Master shall make a report to the President and Directors monthly, or more often if required to do so, setting forth the results of the operations under the Water Master's charge, and shall perform other duties as the President

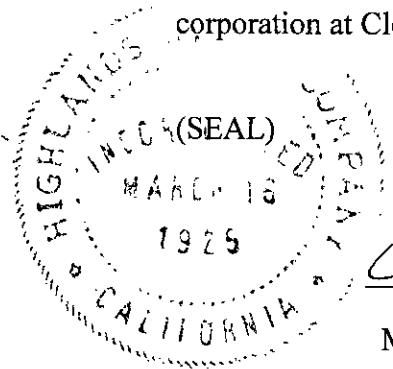
and the Board of Directors may require. The salary of the Water Master shall be fixed by the Board of Directors.

Section 2. Installation of Pipe Lines, etc.: All installations of pipe lines and water service shall be made under the direction of the Water Master, subject to the approval of the Board of Directors. No connections shall be made on the lines of the company without the approval of the Water Master and under the Water Master's direction, and in accordance with the rules and regulations of the company as fixed by the Board of Directors. No person or persons shall be entitled to the use of the water from the pipe lines of the company, excepting shareholders, or persons residing on or occupying the property of shareholders.

CERTIFICATE

I hereby certify that I am the duly elected, qualified and acting Secretary of HIGHLANDS WATER COMPANY, a corporation; I further certify that the above and foregoing amended By-Laws were duly adopted as the By-Laws of said corporation at a regular meeting of the Board of Directors of said corporation, held on the 24th day of June, 2015, at 7:00 o'clock P.M., at the office of said corporation at Clearlake, Lake County, California.

IN WITNESS WHEREOF, I have hereunto signed my name and affixed the seal of said corporation at Clearlake, Lake County, California, this 24th day of June, 2015.



Mark Coats

Mark Coats, Secretary

HIGHLANDS WATER COMPANY
14580 Lakeshore Drive
Clearlake, Calif. 95422