

**RESTATED BYLAWS
OF
BELLFLOWER-SOMERSET MUTUAL WATER COMPANY**

ARTICLE I

Provisions of the California General Corporation Law Applicable

Section 1. Definitions. The term "General Corporation Law" is used in these By-Laws with the same meaning as defined in Section 100 of the Corporations Code of the State of California; and words, phrases and terms are used in these Bylaws with the same meaning as used or defined in the said General Corporation Law.

Section 2. Provisions of General Corporations Code Apply. Except in those particulars and to the extent hereinafter expressly provided for, all of the provisions (whether mandatory or permissive) of the General Corporation Law of the State of California, as now or hereafter existing, are approved, adopted, and made applicable to the Company; and whenever no express provision is contained herein with respect to any matter authorized to be regulated, fixed, or established by or in these Bylaws, it is intended to adopt and approve the statutory provisions pertaining thereto and regulating or providing for the same.

ARTICLE II

Company Purpose

Section 1. The Company's Only Purpose. The Company's only purpose shall be to develop, distribute, supply or deliver water for irrigation and domestic uses to or for the benefit of its shareholders, at cost plus necessary expenses. Notwithstanding the foregoing, nothing in these Bylaws shall prohibit the Company from supplying water to non-shareholder retail water companies that received water through the distribution system formerly operated by the City of Bellflower prior to the time the Company acquired that system, or from entering in contracts to provide managerial and operational services to any other water supply or distribution system.

Section 2. Company's Lack of Obligation in Pursuit of its Purpose. In carrying out said purpose, the Company shall have no obligation to construct any new delivery facilities, except at the expense of the shareholder requesting such new service, nor to deliver water, for whatever purpose, to

shareholders or their designees, outside the service area or territory of the Company, as set forth in the Articles of Incorporation of the Company, as amended and restated.

ARTICLE III

Bylaw Amendments

Section 1. How Amended. These Bylaws may be repealed or amended or new Bylaws adopted by:

- (a) The vote of a majority of shareholders, represented in person or by proxy, at a shareholders' meeting at which a quorum, as specified herein, is present;
- (b) The written assent of shareholders entitled to exercise a majority of the voting power, filed with the Secretary; or
- (c) By a majority vote of the Board of Directors.

ARTICLE IV

Shares and Shareholders

Section 1. Issuance of Company Shares. Company stock shall be issued on the basis of ten (10) shares for each acre of land to which water service by the Company is requested. One (1) share shall be required and issued by the Company for each such one-tenth (1/10) of an acre and or portion thereof.

Water shall not be supplied by the Company unless and until all Company stock required by these Bylaws has been paid for by the person(s) owning the land within the Company's service area, which has requested such service, and said stock has been issued by the Company.

Section 2. Water Service Only to Property and Company Shareholders Within Company's Service Area. All of the water owned, possessed or controlled by the Company shall only be sold, distributed, or delivered for irrigation uses and purposes or for domestic purposes and uses solely to or for the benefit of owners of the capital stock of the Company, for use only upon lands owned or controlled by them, situated within the service area of the Company (within a portion of the corporate boundaries of the City of Bellflower, County of Los Angeles, State of California) as defined in the Company's Articles of Incorporation, and such shares shall be appurtenant to a portion of such land.

Notwithstanding the foregoing, nothing in these Bylaws shall prohibit the Company from supplying water to non-shareholder retail water companies that received water through the distribution system and related facilities formerly operated by the City of Bellflower prior to the time the Company acquired that system and those facilities by agreement dated May 11, 2001.

Section 3. Annual Shareholders' Meetings; Quorum. A meeting of shareholders to be known as the "Annual Meeting," shall be held each year in the office of the Company, on the third Thursday of September, at the hour of 7:00 o'clock p.m. (or at such other date, time and/or location as the Board of Directors may determine as specified in Section 5, below, with respect to location), for the purpose of electing a Board of Directors in accordance with Article V, Section 1, below, and for such other purposes as the Board of Directors may specify.

Twenty percent (20%) of the shares entitled to vote at a shareholders' meeting shall constitute a quorum at such a meeting for all purposes, including the election of directors, and the vote of a majority of the shares represented at the meeting, in person or by proxy, shall be the act of the shareholders, unless a different vote is required by law.

Section 4. Special Meetings. Special meetings of the shareholders, for any purpose whatever, may be held at any time upon call, which shall be made by the President, by the Board of Directors by a majority vote, or by the vote of the holders of shares entitled to cast not less than ten percent (10%) of the votes at the meeting.

Section 5. Place of Meetings. Unless some other place shall be appointed in any instance or instances, as hereinafter provided, meetings of the Board of Directors, and shareholders, both annual and special, shall be held at the principal office of the Company.

Authority is hereby conferred upon the Board of Directors, by resolution adopted by majority vote of all its members to fix or designate (and from time to time change) the place for any meeting of the Board of Directors of the Company and any shareholders' meeting, or meetings, whether annual or special. .

Section 6. Notice of Meeting. Written notice of each meeting of shareholders, whether annual or special, shall be given to each shareholder entitled to notice, not more than sixty (60) days, nor less than ten (10) days, before the meeting, in any of the following ways:

First: By delivering such notice personally;

Second: By mailing such notice, charges prepaid, addressed to such shareholder at his or her address appearing on the books of the Company. If no address appears on the books of the Company, then the notice shall be addressed to the shareholder at the place where the principal office of the Company is situated; or

Third: By e-mail in accordance with applicable provisions of law; provided, however, notice shall not be given by electronic transmission by the Company after either of the following: (1) the Company is unable to deliver two consecutive notices to the shareholder by that means, or (2) the inability to so deliver such notices to the shareholder becomes known to the secretary, any assistant secretary or any other person responsible for giving of the notice.

An affidavit of the mailing or other means of giving any notice of any shareholders' meeting shall be executed by the Secretary or any agent of the Company giving the notice, and shall be filed and maintained in the Company's minute book.

Section 7. Form of Notice and Statement of Purpose. Notice of the meeting shall specify the place, the day and the hour of the meeting. In the case of special meetings, the general nature of the business to be transacted shall be stated in the notice. In the case of the annual meeting, the notice shall specify those matters that the Board of Directors, at the time of giving the notice, intends to present for action by the shareholders. The notice of any meeting at which directors are to be elected shall include the names of nominees intended at the time of the notice to be presented by the Board for election, pursuant to Section 601 of the California Corporations Code.

Section 8. Shareholders Entitled to Notice; Record Date. All notices of any meeting shall be mailed on the same day and at the same time. Where notice of any shareholders' meeting is to be mailed, notice shall be given to those who appear from the stock records as record holders of Company stock at twelve (12:00) o'clock, noon, on the day immediately preceding the day of mailing; and twelve (12:00)

o'clock noon on the day immediately preceding the day of mailing is the record date and time for the determination of shareholders entitled to notice of the meeting.

Section 9. Proxies. Every shareholder entitled to vote or execute consents or assents shall have the right to do so either in person or by an agent or agents authorized by written proxy executed by the shareholder, or by the duly authorized agent of such shareholder, as set forth herein, and filed with the Secretary of the Company. Proxy blanks shall be sent to each shareholder along with the notice of meeting. All proxies which appoint the Secretary or Assistant-Secretary of the Company as the holder thereof shall be used for quorum purposes only, unless the maker of such proxy shall in writing instruct otherwise; in which event the proxy shall be voted by the Secretary or Assistant-Secretary in accordance with such written instructions, and this provision as to the Secretary or Assistant-Secretary voting proxies shall be noted on the blank proxies sent to the shareholders. A proxy shall be deemed signed if the shareholder's or duly authorized agent's signature and name are placed on the proxy by the shareholder or the authorized agent. If the shareholder is a corporation, the proxy shall be signed by a duly authorized corporate officer. If the shareholder is a living trust, the proxy shall be signed by the trustee. If the shareholder is an estate, the proxy shall be signed by the executor or administrator of the estate. If the shares are co-owned, the proxy may be signed by any record owner of the shares, as reflected in the Company's records. In the event a proxy is signed on behalf of a corporation, living trust or estate, proof of the signer's authority to sign the proxy shall be submitted to the Corporation with the proxy. A validly executed proxy shall continue in full force and effect unless (i) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the Company stating that the proxy is revoked, or by a subsequent proxy executed by, or attendance at the meeting and voting in person by, the person executing the proxy; or (ii) written notice of the death or incapacity of the maker of that proxy is received by the Company before the vote pursuant to that proxy is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy.

Section 10. Shareholders Entitled to Vote. Each shareholder shall be provided adequate provision for the transfer of stock and the shareholder, or the shareholder's pledgee, if any, shall be entitled to one (1) vote for each share of Company stock registered to that shareholder; provided,

however, that any shareholder whose shares have been forfeited to the Company as a result of the non-payment of charges or assessments shall not be considered to be in good standing and shall not be entitled to vote his or her shares. In the event that a share or shares of Company stock are owned by or are registered in the name of a corporation, including, but not limited to, a homeowners or condominium owners association, such share or shares may be voted as the board of that other corporation may determine; or, in the absence of such determination, by the chairman of the board, president or any vice president of that other corporation, or by any other person authorized to do so by the chairman of the board, president or any vice president of the other corporation.

Twelve (12:00) o'clock noon on the day before the day the notice of a shareholders' meeting is mailed is hereby fixed as the time for the close of the stock books and the determination of those entitled to vote at the meeting, and, subject to the provisions of law, only persons in whose names the shares stand on the stock records of the Company, at the close of stock books, as aforesaid, shall be entitled to vote at that meeting, or any adjournment thereof.

No transfer of shares shall be made on the stock records of the Company during the period elapsing between said close of stock books and adjournment of the meeting on the day first appointed therefor. If a meeting is adjourned to a subsequent date, the stock books shall open upon such adjournment so as to permit transfers of shares, but not to affect the right of voting, as determined above.

Section 11. Business to be Transacted at Annual Shareholders' Meeting. At the applicable annual meeting, directors, in the number authorized, shall be elected in accordance with Article V, Section 1, below; reports of the affairs of the Company shall be considered; and any other business may be transacted that is within the powers of the shareholders, including the amendment, repeal and adoption of Bylaws, the approval and ratification of amendments of the Articles of Incorporation, and action upon or with respect to any or all questions and matters requiring the vote, consent or approval of the shareholders, or with respect to which the shareholders are permitted to act; subject, however, to the provisions of Section 601 of the Corporations Code, requiring notice to the shareholders of special proposals. At a special meeting, any business may be transacted of the general nature specified in the notice thereof, but not otherwise.

Section 12. Manner of Voting at Shareholders' Meeting. At meetings of shareholders, all questions, other than an election of directors, or except as otherwise expressly provided by statute, or by these Bylaws, shall be determined by majority vote of the shares represented at the meeting, and all voting shall be viva voce (except for the election of directors, which shall be by written ballot), unless a majority in voting power of the shares represented shall demand a vote by written ballot.

Section 13. Election of Directors. At any annual shareholders' meeting at which an election of directors occurs, the applicable number of directors to be elected shall be elected at the same time and upon a single vote or ballot, and directors shall not be elected separately or in any number less than the applicable number of directors to be elected at that particular meeting.

At such election, cumulative voting shall not obtain, and a shareholder shall have the number of votes equal to the number of shares held by him and may cast all of his votes in favor of one or more candidates, not exceeding the number to be elected. All elections for directors shall be by written ballot.

Section 14. Directors Elected at Special Meeting. Whenever, for any reason, no election of directors has been had after the expiration of a director's or directors' then current term or terms, then members of the Board of Directors whose terms of office have expired may be elected at a special meeting of the shareholders called for that (in addition to any other) purpose, by the person or persons, in the manner and upon the notice in these Bylaws provided for calling and noticing special meetings of shareholders.

The terms of directors elected at a special meeting shall expire at the same time as the applicable terms assigned to those particular Board positions, as described in Article V, Section 1, below.

Section 15. Inspectors of Elections. Before any meeting of shareholders, the Board of Directors may appoint any persons other than nominees for office to act as inspectors of election at the meeting or its adjournment. If no inspectors of election are so appointed, the chairman of the meeting may, and on the request of any shareholder or a shareholder's proxy shall, appoint inspectors of election at the meeting. The number of inspectors shall be either one (1) or three (3), as the Board may determine, but if inspectors are appointed at a meeting on the request of one or more shareholders or proxies, the holders of a majority of shares or their proxies present at the meeting shall determine whether one (1) or

three (3) inspectors are to be appointed. If any appointed inspector fails to appear or fails or refuses to act, the chairman of the meeting may, and upon the request of any shareholder or a shareholder's proxy shall, appoint a person to fill that vacancy.

These inspectors shall:

- (a) Determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies;
- (b) Receive votes, ballots, or consents;
- (c) Hear and determine all challenges and questions in any way arising in connection with the right to vote;
- (d) Count and tabulate all votes or consents;
- (e) Determine when the polls shall close;
- (f) Determine the result;
- (g) Do any other acts that may be proper to conduct the election or vote with fairness to all shareholders; and
- (h) Perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical.

If there are three inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act, or certificate of all.

Section 16. Inspection of Books and Records. The agendas and minutes of Board of Directors' and shareholders' meetings; accounting books and records (including annual budgets and any annual report issued to the Company's shareholders under Section 17, below); the Corporation's annual report issued under Section 18, below; and any water quality tests the Company conducts shall be open to inspection upon the written demand of any Eligible Person ("Eligible Persons" shall mean shareholders, non-shareholder customers who receive water service from the Company, and any elected city or county official who represents people who receive drinking water from the Company on a retail basis), at any reasonable time during the Company's usual business hours. Requests for such records are limited to the three (3) calendar years preceding the date of the request for the records. Minutes of any Board of Directors' meeting must be made available within thirty (30) days after the meeting to which such

minutes relate and the Company's budget shall be made available within thirty (30) days after the meeting at which the budget was adopted. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. A person requesting copies of any records from the Company under this article must pay for all copying and postage costs incurred in connection with the photocopying and delivery of the requested records.

Section 17. Annual Report to Shareholders and Additional Disclosures. The Board of Directors shall cause an annual report to be sent to the shareholders not later than one hundred twenty (120) days after the close of the Company's fiscal year. This report shall be sent at least fifteen (15) days before the annual meeting of shareholders to be held during the next fiscal year and in the manner specified in these Bylaws for giving notice to the Company's shareholders. This report shall contain a balance sheet as of the end of the fiscal year and an income statement and statement of changes in financial position for the fiscal year, accompanied by any report of an independent accountant in accordance with Section 18, below.

Section 18. Financial Statements; Annual Review; Budget. A copy of any annual financial statement and any income statement of the Company for each quarterly period of each fiscal year, and any accompanying balance sheet of the Company as of the end of each such period, that has been prepared by the Company shall be kept on file in the office of the Company for twelve (12) months and each such statement shall be made available at all reasonable times during the Company's office hours to any Eligible Person in accordance with Section 16, above. The Company shall engage a certified public accountant or public accountant to conduct an annual review in accordance with generally accepted accounting principles of the Company's financial statements and financial reports. The Corporation shall prepare and adopt a budget prior to the commencement of its fiscal year.

ARTICLE V

Directors

Section 1. Qualifications; Number; Elections and Term. No person shall be eligible for election as a member of the Board of Directors unless he is a bona fide owner of at least one share of the capital stock of the Company and no regular employee of the Company who receives a salary shall serve on the Board of Directors. For any corporation, including, but not limited to, a homeowners or condominium

owners association, that owns at least one (1) share of the capital stock of the Company, such corporation may designate one (1) representative who shall be eligible at an annual shareholders' meeting for election as a member of the Board of Directors. Except as provided in the preceding sentence, no shareholder or member of any corporation that owns any shares of capital stock of the Company shall be eligible for election as a member of the Board of Directors by reason of their ownership of any shares in or membership in such corporation.

The number of directors of the Company shall be five (5).

Commencing with the 2013 annual shareholders' meeting, directors shall serve terms of four (4) years, except for two directors' positions, which shall be determined by lot to serve terms of only two (2) years and which two positions' terms shall therefore end in conjunction with the 2015 annual shareholders' meeting. Upon completion of the 2013 annual shareholders' meeting, the Company shall notify all shareholders of the directors then serving and shall identify which directors are serving two (2) year terms and which directors are serving four (4) year terms. After the 2013 annual shareholders' meeting, directors shall be elected every two (2) years in staggered terms at the applicable annual meeting of the shareholders, such that those two directors' positions determined at the 2013 annual shareholders' meeting to serve two (2) year terms shall be elected at the 2015 annual shareholders' meeting to four (4) year terms, to expire in conjunction with the 2019 annual shareholders' meeting, and those three directors' positions determined at the 2013 annual shareholders' meeting to serve four (4) year terms shall be elected at the 2017 annual shareholders' meeting to serve four (4) year terms, to expire in conjunction with the 2021 annual shareholders' meeting, and so on for future annual shareholders' meetings. Each director so elected or who may be appointed, as herein provided, shall hold office for the term of the office for which elected or appointed and until his or her successor is elected or appointed and qualifies for office, or until he or she resigns or is removed from office, as herein provided, whichever event shall first occur.

Section 2. Organization Meeting. A meeting of the Board of Directors (to be known as the "Organization Meeting") shall be held within two (2) weeks after the adjournment of any annual shareholders' meeting at which directors are elected.

Section 3. Regular Meetings. Meetings of the Board of Directors, to be known as "Regular Meetings," shall be held at such time as the Board of Directors shall establish by resolution from time to time. If the time appointed for a Regular Meeting falls upon a legal holiday, that meeting shall be held at such date and time as the Board shall determine. Notice of such Regular Meetings shall be provided in accordance with Section 5, below.

Section 4. Special Meetings; Emergency Meetings. Subject to compliance with the notice requirements set forth in Section 5, below, special meetings of the Board of Directors may be held from time to time upon call by the President, or if he or she is absent or is unable or refuses to act, by any Vice-President; and it shall be the duty of the President, or, if he or she is absent or is unable or refuses to act, then of any Vice-President, to call a special meeting upon the written request of two directors, specifying the purpose; and in the event neither the President nor Vice-President shall call such meeting upon said request, then the same may be called by said two directors. The call, in any instance, shall be delivered to the Secretary or person whose duty it is to give notice. An emergency meeting of the Board of Directors may be called by the President, or by any two directors other than the President, if there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board, and which of necessity make it impracticable to provide notice as required by Section 5, below.

Section 5. Notice of Board of Directors' Meetings; Open Meetings; Executive Sessions. All Board of Directors' meetings shall be open to attendance by Eligible Persons, as defined in Article IV, Section 16, above, except for executive sessions of the Board to discuss (a) litigation; (b) contracts to be formed with third parties; (c) shareholder discipline; provided that the shareholder that is the subject of any fine, penalty or other discipline has the right to attend the executive session; (d) personnel matters; or (e) a shareholder's payment of assessments where the shareholder requests to meet in executive session. Any matters discussed in executive session of a Board meeting must be generally noted in the minutes of the immediately following Board meeting. Any Eligible Person who desires to attend a Board of Directors' meeting must provide at least twenty-four (24) hours' prior written notice of his or her intent to attend that meeting. Any Eligible Person who attends a Board meeting must be allowed to speak at the meeting, although the Board can establish a reasonable time limit for such comments.

Notice of the time and place of all Board meetings must be provided, as specified in this paragraph, to all Eligible Persons at least four (4) days before the meeting; provided, that if the Board meeting only consists of an executive session, the notice must be given at least two (2) days before the meeting. Notice of the meeting must specify the time and place of the meeting and must include an agenda for the meeting, specifying the items to potentially be discussed and upon which action may be taken. Notice of the meeting shall be posted at the outside of the Company's office, may be provided by e-mail to any Eligible Person if the Eligible Persons consents, and must be provided by mail to any Eligible Person who has requested mailed notice of the meetings; provided that the Company may recover from the recipient the reproduction and mailing costs for that requested notice.

Notices of meetings shall be delivered to directors personally, by facsimile, by electronic mail or by telephone to each director or sent by first-class mail, charges prepaid, addressed to each director at that director's address as it is shown on the Company's records, or as may have been given to the Company by the director for purposes of notice, or, if such address is not shown on such records or is not readily ascertainable, at the place where the meetings of the directors are regularly held. In case the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. In case the notice is delivered personally, or by facsimile, electronic mail or telephone, it shall be delivered at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone shall be communicated to the director.

Section 6. Place of Directors' Meetings and Meetings by Telephone or Electronic Transmission. Meetings of the Board of Directors, whether regular or special, shall be held at such place as the Board of Directors shall designate ; and, in the absence of such designation, shall be held at the principal office of the Company. Any meeting of the Board of Directors, regular or special, may be held by conference telephone or similar communications equipment, so long as notice of the teleconferenced meeting is provided (including identifying at least one physical location where Eligible Persons may attend) and all directors participating in the meeting, and any Eligible Person attending the meeting, can hear one another. All directors participating by teleconference shall be deemed to be present in person at the meeting. The Board may not conduct a meeting by a series of electronic transmissions, except in the event of an emergency meeting, as described in Section 4, above, where all directors consent in writing to the action.

Section 7. Limitations on Board Discussion and Action. Other than for the exceptions listed in subdivision (i) of Corporations Code Section 14305, the Board of Directors may not discuss or take action on any item at a non-emergency Board meeting that is not placed on the agenda included in the notice for that meeting. Directors are also prohibited from taking action on any items outside of a Board meeting unless the item has been delegated by the Board to another person.

Section 8. Violation of Open Meeting Requirements. If an Eligible Person alleges the Board of Directors has violated the open meeting requirements specified in this article, before filing a legal action regarding that alleged violation, the Eligible Person must make a demand on the Board of Directors to cure or correct the alleged violation. The demand must be in writing, and must be submitted to the Board of Directors within ninety (90) days from the date the alleged violation occurred. The demand must state the Board action being challenged and the nature of the alleged violation. Within thirty (30) days of receipt of the demand, the Board must cure or correct the challenged action and inform the Eligible Person in writing of its actions to cure or correct, or inform the Eligible Person in writing of the Board of Directors' decision not to cure or correct the challenged action.

Within fifteen (15) days of receipt of the written notice of the Board of Directors' decision to cure or correct or not to cure or correct, or within fifteen (15) days of the expiration of the 30-day period to cure or correct, whichever is earlier, the Eligible Person may commence legal action. If the Eligible Person fails to commence the action within that fifteen (15) day period, the Eligible Person is then barred from later commencing the action.

Section 9. Vacancies. Any vacancy in the office of Director, however created or arising, may be filled by appointment by a majority of the remaining Directors, though less than a quorum; and the shareholders may fill any vacancy existing at any time and not timely filled by the Directors. Any director appointed to fill a vacancy on the Board of Directors shall hold office for the completion of the term of the position for which that vacancy occurs, and until a successor has been elected and qualified.

Section 10. Quorum. A majority of the authorized number of directors shall be necessary to constitute a quorum for the transaction of business; and, unless otherwise required by law or these

Bylaws, every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors.

Section 11. Compensation of Directors. The Board of Directors, from time to time, may set reasonable compensation for directors to receive for services provided to the Company by attendance at regular or special Board of Directors' or annual or special shareholders' meetings, and otherwise for days of service to the Company as may be approved by the Board of Directors in accordance with Board approved policies, or as may otherwise be approved. A director shall also be reimbursed for his or her reasonable and necessary expenses (including mileage expenses in accordance with mileage reimbursement rates established from time to time by the Internal Revenue Service, meals and lodging) incurred when engaged in the Company's business, as approved by the Board of Directors. Any such business expenses shall be supported by a mileage log on a form to be provided by the Company and by receipts documenting such expenses.

Section 12. Directors May Be Removed, with or without Cause, by a Majority of the Outstanding Shares. Any or all members of the Company's Board of Directors may be removed, with or without cause, by a majority vote of the outstanding shares of the Company.

Section 13. Rights of Inspection. Every director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the Company. Such inspection by a director may be made in person or by agent or attorney and includes the right to copy and obtain extracts.

Section 14. Performance of Duties by Director; Liability.

(a) A director shall perform the duties of a director, including duties as a member of any committee of the Board upon which the director may serve, in good faith, in a manner such director believes to be in the best interests of the Company and its shareholders and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

(b) In performing the duties of a director, a director shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by any of the following:

(1) One or more officers or employees of the Company whom the director believes to be reliable and competent in the matters presented.

(2) Counsel, independent accountants or other persons as to matters the director believes to be within such person's professional or expert competence.

(3) A committee of the Board upon which the director does not serve, as to matters within its designated authority, which committee the director believes to merit confidence, so long as, in any such case, the director acts in good faith, after reasonable inquiry when the need therefor is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

(c) A person who performs the duties of a director in accordance with subdivisions (a) and (b) shall have no liability based upon any alleged failure to discharge the person's obligations as a director.

ARTICLE VI

Notices

Section 1. Applies to all Notices. Except as in conflict with law, or other provisions of these Bylaws, the provisions of this article are intended to, and shall apply to, all notices required, or permitted, to be given, including notices of shareholders' meetings, Board of Directors' meetings and assessments.

Section 2. By Whom Given, Method of Making, a Signing. Notices shall be given by the Secretary, or by an Assistant-Secretary, if such Assistant is so directed by either the Secretary, the President, or the directors. If the person whose duty it is to give any notice shall fail or refuse to do so, then it shall be given by any person thereto directed by the President or by the directors; or in the event of a called meeting, it may be given (in the event of such refusal by the one directed to do so) by the person or persons calling the meeting. Whenever a written notice is required to be given, or is given, under these Bylaws, or pursuant to any provision of law, it may be made by any method appropriate for such purpose, including longhand writing, printing, stamping, multigraphing, mimeographing, typing, or

by one or more or all of such methods, or in part by one method and in other parts by another or other methods.

No notice need be actually signed or subscribed by the hand of the person giving it, and in lieu of actual signing, the name of such person may be made by the method used in making any other portion of the notice, or by any method by which any portion of the notice might be made, as hereinbefore provided.

Section 3. Where Notice is to be Mailed. When resort is had to giving any notice by mail, such notice shall be deposited in the United States Post Office in the city or community in which the principal office of the Company is situated, or in a United States Post Office within not more than fifty (50) miles from said principal office, with postage thereon prepaid, and directed to the person to be served at the address of such person, if such address appears on the records of the Company; and if same does not appear on such records, then addressed to such person at the Post Office at or from which delivery of mail is made at the principal office of the Company. The notice shall be deemed to have been deposited in said Post Office, when deposited in a letter box, or other mail receptacle from which mail is regularly collected for said Post Office.

Section 4. Method, Publication and Form. The Board of Directors shall have power, subject to provisions of law, and of these Bylaws specifically regulating the matter, from time to time and at any time, to determine and order, with respect to notices, or any notice, as follows:

- (a) Where two or more methods are available, which method shall be used, and use of one method as to one or more persons to be served, and another method, or methods as to others;
- (b) The newspaper in which publication is to be made;
- (c) The date, or dates, of publication;
- (d) The form and contents of the notice; and
- (e) The date of mailing of the notice.

If the time has arrived when the person charged with the duty desires to give notice, and the Board has failed to determine any of the above, the same shall then be determined by such person; and the power reserved to, and conferred upon the Board, as above stated, shall be exercised and the determination made, by the person giving the notice.

ARTICLE VII

Officers

Section 1. Number of Officers. The officers of the Company (herein called "regular officers") shall be elected by the directors, and shall consist of a President, a Vice-President, a Secretary and a Treasurer. The Board may also appoint one or more additional Vice-Presidents, one or more Assistant-Secretaries, one or more Assistant-Treasurers, and such other officers as they deem desirable for the transaction of the business of the Company. The President and Vice-Presidents shall be members of the Board of Directors, and if any shall cease to be a director at any time, then that person shall, ipso facto, cease to be such President or Vice-President. Any two or more of said offices, except those of President and Secretary, may be held by the same person. Regular officers shall be elected at the organization meeting of the Board, or whenever the Board shall determine, provided, they may always be elected whenever a vacancy of any office exists. Other officers may be elected at any meeting of the Board. Unless sooner removed by the Board of Directors, or unless they resign or become disqualified, all of the officers shall hold office until their successors are chosen and qualified. Any officer, whether elected or appointed by the Board of Directors, may be removed at any time by the affirmative vote of a majority of the whole Board of Directors, and each officer shall take and hold office subject to the right of removal by the Board of Directors.

Section 2. The President. The President shall be the chief executive officer of the Company, and as such shall:

- (a) Preside at all meetings of the shareholders and Board of Directors. Such shall not prevent him from voting, either at shareholders' meetings, or as a director at Board of Directors' meetings upon any question;
- (b) Unless otherwise directed by the Board of Directors, sign as President all deeds, Company stock certificates, written contracts, and all other instruments in writing which have been first approved or authorized by the Board of Directors;
- (c) Sign all Company resolutions, countersign all minutes of meetings of the Board of Directors and of shareholder meetings; and
- (d) Have, subject to advice of the directors, general and active supervision of the business and affairs of the Company, and shall have power to cause the orders and resolutions of the Board to be carried into effect.

Section 3. 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 4. Secretary. The Secretary shall:

(a) Attend all sessions of the Board, and all meetings of the shareholders, and record all votes and minutes of all proceedings in a book to be kept for that purpose, and perform like duties for the standing committees when required;

(b) Sign all minutes of meetings of the Board of Directors and of shareholder's meetings, countersign all Company resolutions, deeds, Company stock certificates, written contracts and other instruments in writing that have been approved by the Board and signed by the President.

(c) Keep the corporate seal of the Company and books of blank certificates of stock, complete and countersign all certificates issued, and affix the corporate seal to all papers requiring a seal; and

(d) Keep proper books and records pertaining to the issuance and transfer of shares as may be required by law, or these Bylaws, or as the Board of Directors shall prescribe, and discharge such other duties as pertain to his or her office, or which may be required by law, or by these Bylaws, or by the Board of Directors.

Section 5. Treasurer. The Treasurer shall:

(a) Have custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company and deposit all moneys and other valuable effects, in the name and to the credit of the Company, in such depositories as may be designated by the Board of Directors.

(b) Disburse the funds of the Company as may be ordered by the Board, taking proper vouchers for such disbursements, and render to the President and directors, at the regular meetings of the Board, or whenever they may require it, an account of all of his or her transactions as Treasurer and of the financial condition of the Company; provided, the Board may prescribe the manner in which funds shall be withdrawn from and paid out by any depository; and

(c) Give the Company a bond if required by the Board of Directors in a sum, and with one or more sureties satisfactory to the Board, for the faithful performance of the duties of his or her office, and for the restoration to the Company, in case of death, resignation, retirement, or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his or her possession or under his or her control belonging to the Company.

Section 6. Duties of Officers May Be Delegated. In case of the absence of any officer of the Company, or for any other reason that the Board may deem sufficient, the Board may delegate, for the time being, the powers or duties, or any of them, of such officer, to any other officer, or to any director, provided a majority of the entire Board concur therein.

ARTICLE VIII

Certificates and Transfers of Shares

Section 1. By Whom Signed. Certificates for shares shall be signed by the President or Vice-President and the Secretary, or by an Assistant-Secretary, if such Assistant is so authorized by the Board of Directors. Any or all of the signatures on Company stock certificates may be facsimile.

Section 2. Certificate Form; Lost Certificates. Subject to the provisions of law, and these Bylaws, certificates for shares shall be of such form and device as the Board of Directors may direct.

The person to whom issued shall be denominated therein as the "Record Holder," or by such other designation as shall be ordered by the Board pursuant to any provision of law.

Each certificate shall be issued and held upon and subject to all of the conditions and provisions thereon stated, all of which shall be binding upon the Record Holder, any pledgee and any transferee or person claiming any interest in the shares, or any of them, evidenced thereby.

Except as provided in this paragraph, no new certificate for Company shares shall be issued to replace an old certificate unless the latter is surrendered to the Company and cancelled at the same time. The Board of Directors may, in the event any share certificate is lost, stolen or destroyed, authorize the issuance of a replacement certificate on such terms and conditions as the Board may require, including provision for indemnification of the Company secured by a bond or other adequate security to protect the Company against any claim that may be made against it, including any expense or liability on account of the alleged loss, theft or destruction of the certificate or the issuance of the replacement certificate.

Section 3. Registration of Pledge. Upon surrender to the Secretary of a certificate, accompanied by proper and satisfactory evidence of an assignment in pledge, the Company shall issue a new certificate stating therein the name of the Record Holder, and also the name of the one registered as pledgee, and cancel the old certificate, and record the -transaction (with the name of the pledgee) on its books. More than one pledgee may be registered, their priority being indicated by the expressions "First Pledgee," "Second Pledgee," and so forth.

Section 4. Assessments and Charges Are Liens on Shares. Stock Assessments and each charge or toll for water delivered to or for the Record Holder of any shares by virtue of or in respect of ownership of such shares (including all rates for water used by such Record Holder's property and all meter charges associated with such use), are a lien against said shares from the time when assessed or water use giving rise to such charge or toll occurs, until paid. Said lien may be foreclosed in the manner now or as may be hereafter provided by law of the State of California for foreclosure of a stock pledge. Notice of the time and place appointed for the sale of any shares upon foreclosure of such lien shall be mailed to the Record Holder of said shares at the address of such Record Holder as it then appears upon the books of the Company, and if no address appears, then mailed to said Record Holder at the city or community where the principal office is situated. No demand for payment or other notice of sale to the Record Holder or to any person appearing by the records of the Company to have an interest in said shares need be given other than as provided by law or as hereinbefore provided. At any such sale or sales the Company may bid and purchase. However, said shares are, and remain, appurtenant to the land for which issued and only the owner or purchaser of the said land or the Company may acquire shares at a delinquent charge and/or Assessment foreclosure sale. Forfeited shares must be returned to the property to which they were appurtenant prior to forfeiture.

Section 5. Forfeiture and Recovery of Shares. Any shares of stock upon which water charges and Assessments may become delinquent shall be forfeited to the Company, and the holder of said stock shall surrender the certificate of shares to the Company. A civil action for collection may be undertaken, or a lien filed and perfected pursuant to Section 4, above, or Section 7, below, against any holder of delinquent shares. If any shares are forfeited due to a shareholder's failure to pay any charges or Assessments, such shares may be recovered by the shareholder by the payment of the unpaid charges

or Assessments and such penalty established by the Board of Directors from time to time, together with all subsequent charges, Assessments and penalties, and interest on such sums at the rate of ten percent (10%) per annum, from the time they became delinquent.

Section 6. No Transfer While Unpaid Assessments or Charges. No transfer of the shares of the Company can or will be made on the books of the Company while any Assessment, charge or toll against the same remains or is unpaid.

Section 7. Security Interest against Record Holder's Land. To secure any moneys due or to become due from each Record Holder for water delivered or to be delivered to such shareholder and to further secure the payment of any Assessment or charge levied by the Company, the Company shall have, and is hereby given, a lien upon the land of each Record Holder to which such Record Holder's shares of the capital stock of the Company are appurtenant. Upon any such delinquency in the payment of monies owed to the Company, the Company is authorized to take any actions necessary to perfect that lien; provided, however, that the Company must provide the Record Holder with at least twenty (20) days' prior written notice before the Company may perfect that lien by recording a notice of lien with the Los Angeles County Recorder. Such lien shall continue until any amount owing to the Company is paid or said land is sold to satisfy said lien.

Section 8. Assessments and Liens; Legend on Stock Certificates. Shares of the Company are assessable by the Board of Directors, as provided herein and by law. An Assessment shall be a lien upon the shares assessed from the time of the levy, as provided in this article. Subject to provisions of law applicable thereto, there shall be on the face of each Company Stock Certificate a statement in form, meaning and effect, substantially as follows:

"Shares evidenced by this Certificate are assessable. No shares are transferable when:

- (a) An Assessment is unpaid; or
- (b) When a registered holder is indebted to the Company."

Section 9. Cancellation of Water Services. If any shareholder shall refuse or fail to pay his or her water charges or Assessments when due, it shall be the duty of the officers of the Company to disconnect the Company's distributing system from the shareholder's land and to decline to furnish water thereon, and the Company shall not be obligated to furnish water thereon to such shareholder or

his or her successors, or to any lessee of said land, or to any person thereon, until the said water charges and/or Assessments in default and the expense of disconnection and reconnection shall have been paid by or for such shareholder.

Section 10. Penalties, Interest and Collection Costs. Each Record Holder shall be liable for payment of and shall pay to the Company, upon its demand, all expenses incurred by the Company in collecting or enforcing payment from such Record Holder of any delinquent Assessment, charge, toll or other indebtedness. Included in such expenses are attorney's fees in any proceeding for the enforcement of any lien herein provided for, or the collection of such indebtedness, whether by court action or otherwise, and also including all expenses of any sale. If payment is made after a stock Assessment has become delinquent and before the sale of such stock, the shareholder shall pay a penalty of five percent (5%) of the amount of the Assessment on the shares in addition to the Assessment. All penalties on delinquent Assessments, interest on overdue charges, tolls or other indebtedness, and expenses of collection, as above provided for, shall be added to the principal debt, and shall become and be a lien upon and against the shares, and be secured thereby and enforced in the same manner and with the same effect as the principal debt.

Whenever elsewhere in these Bylaws the terms Assessment, charge, toll, or any of them, shall be used, such terms shall be deemed to include, in each and every instance whenever such construction is possible or permissible, all penalties, interest and collection expenses pertaining to such Assessment, charge or toll, or attaching, accruing or resulting from the non-payment thereof when due.

Section 11. Record Holder Liable for Tolls and Charges. The Record Holder of any shares shall be entitled to the delivery of all water apportioned to such shares within the area described in the Articles of Incorporation, subject to suspension or discontinuance, as herein provided, and shall be personally liable for the payment of all tolls, charges, interest, costs and penalties in respect of or on account of such shares during the time the same are registered in his name on the books of the Company. In particular, in the event the Record Holder shall lease or rent his or her property to a lessee or tenant, that Record Holder shall remain ultimately liable for all unpaid charges resulting from water service provided to such lessee or tenant in connection with that lessee's or tenant's occupancy of the Record Holder's property.

ARTICLE IX
Powers of Board of Directors

Section 1. Exercise of Power. The Board of Directors, subject to restrictions of law, the Articles of Incorporation, or these Bylaws, shall exercise all of the corporate powers of the Company, and without prejudice to or limitation upon their general powers, it is hereby expressly provided that the Board of Directors shall have, and is hereby given, full power and authority, in its unlimited discretion (to be exercised by motion, order or resolution adopted by majority vote of all members of the Board whether denominated a rule or regulation, or otherwise), in respect of the matters, and as hereinafter set forth, to-wit:

Section 2. Seal. To adopt, use and at will alter, a corporate seal of form and device approved by the Board; provided, there shall be set forth on said seal, the name of the Company and the date of incorporation, as set forth in Article XI, below. Said seal shall be affixed to the share certificates and such other instruments as the Board shall direct.

Section 3. Share Register. To prescribe the form and provide for keeping a share register and records pertaining to the issuance, registration and transfer of shares.

Section 4. Financial Reports. To prescribe the form, and provide for making and giving financial statements and reports to the shareholders. The Board of Directors shall cause annual reports to be provided to the Company's shareholders in accordance with Sections 17 and 18 of Article IV, above, and applicable law.

Section 5. Rules and Regulations. To adopt, repeal, modify, from time to time change, and enforce, all rules and regulations not inconsistent with the laws of the State of California, or with the Articles of Incorporation, or with these Bylaws, by them deemed essential or desirable for the management or conduct of the Company's business and affairs, or in the exercise of their powers. Said rules and regulations may, in addition to any other things, provide for and regulate any of the matters in this Article or otherwise in these Bylaws referred to, and authorized, as determined by the Board of Directors.

Section 6. Transfer Fee. To provide for the payment of a transfer fee, to be fixed from time to time by resolution of the Board of Directors, for the transfer of shares upon the books of the Company.

Section 7. Compulsory Exchange of Certificates. To require the respective holders of outstanding share certificates, or of any of such certificates, to surrender and exchange them for new certificates within a period to be fixed by the Board, not less than thirty (30) days from the giving of notice, whenever the Articles of Incorporation have been amended in any way affecting the statements contained in the outstanding share certificates, or whenever it becomes desirable for any reason, in the discretion of the Board, to cancel any outstanding share certificate and issue a new certificate therefor conforming to law and to the rights of the holder. In any order requiring such surrender and exchange, the Board may provide that no holder of any such certificate ordered to be surrendered shall be entitled to vote or to receive any water or to exercise any of the other rights of the shareholders of record until the shareholder has complied with such order, but such order shall only operate to suspend such rights after notice and until compliance. Notice of such order shall be given in the manner prescribed in these Bylaws for notice of meetings of shareholders, provided that mailing of notice shall in all instances be sufficient and no publication thereof need be made. Such duty or surrender may also be enforced by action at law and any shareholder having the ability, or other person having the possession and control, refusing or failing to surrender and exchange any certificate in accordance with the order of the Board of Directors shall be liable to the Company for all damages incurred by it from such refusal or failure, including reasonable attorney's fees incurred by the Company, in enforcing such duty.

Section 8. Delegation of Powers. To delegate to the Executive Director or General Manager the enforcement of the rules and regulations of the Company; the hiring, disciplining and firing of other Company employees (provided that any employment contract shall be approved by the Board of Directors, and the Board of Directors shall adopt all personnel policies of Company, including, but not limited to, the provisions of any employee handbook or personnel manual, and the Board shall retain the power to hire, discipline and fire the Executive Director and General Manager); and the determination and performance of all matters of a ministerial nature.

Section 9. Tolls and Assessments. To fix and from time to time change the rates, charges or tolls payable for water furnished or other service rendered; the amount of any charge and the terms of any other obligations as a condition to connect to the Company's water distribution system; and to levy, collect and enforce Assessments against the shares of Company stock.

Section 10. Delinquency and Interest. To provide the time when tolls, charges and accounts shall be due, and when delinquent, and for the payment of interest on past due tolls, charges and accounts at a rate of not to exceed one percent (1%) per month.

Section 11. Suspension of Services. To provide for the suspension of water service and for discontinuance of water delivery for violation of the rules and regulations, or for failure to pay any charges, tolls, Assessments, costs, interest, penalties or other sums payable to the Company in accordance with the provisions of Article VIII hereto, and the time when and the conditions upon which such delivery or service shall be resumed. Such discontinuance may be solely with respect to the delinquent shares, or with respect to all shares of the shareholder, whether delinquent or not.

Section 12. Measuring and Diversion Devices. To provide for, determine and fix the location and installation of service connections, measuring gates, hydrants, weirs and meters for turning out, delivering, or measuring the water to which the respective shareholders may be entitled, and that no gate, hydrant, weir or meter shall be installed or changed without the consent and approval of the Board, and that each new installation of such service connection, gate, hydrant, weir or meter shall be installed by the Company at the expense of the shareholder or shareholders using the same. Any such appliance shall be owned by, be under the control of the Company, and be deemed a part of the Company's distribution system. The Board of Directors shall also require that individual meters be installed at any newly constructed multi-unit residential, commercial or mixed use development.

No shareholder, by virtue of the ownership of shares, shall be entitled to connect with the distributing system, used by the Company for delivery of water, or to take water therefrom, except with the consent, and upon and subject to the rules and regulations of the Company pertaining thereto; and the Company reserves and shall have full control over all storing, distributing, measuring and diversion appliances, and over all water owned, possessed or controlled by the Company until it shall have been actually released or delivered for or to the shareholder.

Section 13. Regulations of Water Service. To provide, determine and fix, at such time or times, and in such manner as the Board shall determine, and to change, any or all of the following with respect to delivery of water, to wit:

- (a) The amount of water available for distribution to the shareholders, and the amount apportioned for and to be delivered for or to each share for any season, year or period of time. In making such determination, the Board shall take into consideration all factors the Board deems

relevant, and the Board's determination, in good faith, shall be conclusive upon each and every shareholder;

(b) The time when delivery shall begin;

(c) The time when delivery is to be made, and the amount delivered at any time, and the minimum and maximum number of shares in respect of which delivery will be made at one place or at one time; and

(d) The notice required for and conditions under which delivery is to be made.

Section 14. Extension of Distribution System. To provide and determine the place or places where, and the points to which, the water distributing system or any other system, service, or appliances of the Company shall be located or extended. The holding of shares of the Company shall confer no right upon the shareholder to have any pipeline, water conduit, or other appliance of the Company enlarged or extended without the consent of the Board of Directors; and the Board of Directors, with input from the Executive Director or General Manager, shall at all times, be the exclusive judge of the necessity and expediency of constructing, enlarging, changing and extending the water distribution system or other appliances of the Company, and such expediency and necessity shall, at all times, be determined by and subject to the sole and uncontrolled discretion of the Board of Directors; provided, however, that irrespective of where used, water is to be delivered by the Company, for whatever purpose, to shareholders solely within the area or territory described in the Company's Articles of Incorporation, or as otherwise permitted pursuant to Article IV, Section 2 hereof, and no extension of Company delivery facilities shall be provided for an extension of water service or delivery of water outside said area.

Section 15. Apportion the Delivery, Release or Temporary Transfer of Company Owned Water Entitlement to or for and on the Basis of Stock Ownership. The Board of Directors may, annually or otherwise, apportion the water entitlement of the Company to or for the benefit of its separate shareholders in proportion to their respective stock ownerships. For any such apportionment, the Board shall provide for a system or method of operation which will first make all Company owned water entitlement available, on a right of first refusal or other equitable basis, for use by Company shareholders.

Section 16. Borrowing. The Board of Directors may borrow money and incur indebtedness on the Company's behalf, and cause to be executed and delivered for the Company's purposes, in the

corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidences of debt and securities.

ARTICLE X

Miscellaneous

Section 1. No Fractional Shares. The Company shall not issue any fractional shares or securities.

Section 2. Forfeited Shares. Shares sold or forfeited to the Company for non-payment of an Assessment and any penalty thereon shall be for all outstanding shares issued for the land to which the stock is appurtenant. Such foreclosed shares may only be reissued to the foreclosed record owner of those shares upon payment of all delinquent Assessments, fees, interest, penalties and costs associated with said shares, or, to a new purchaser of the real property to which such stock is appurtenant.
(Amended)

Section 3. Company Fiscal Year. The Company's fiscal year for accounting purposes shall be the period July 1 through the following June 30. The Board of Directors by resolution may change the Company's fiscal year at any time and from time to time.

Section 3. Effect of Restated Bylaws. These Restated Bylaws shall fully supersede and replace all Bylaws and amendments to Bylaws previously adopted by the Company. In the event of any conflict between any provision of these Restated Bylaws and any prior action taken by the Board of Directors, including adoption of any policies, rules or regulations, the provision of these Restated Bylaws shall control.

ARTICLE XI

Seal

Section 1. Design. The Company shall have a common seal, consisting of a circle and inner circle and having between the circles the words, "BELLFLOWER-SOMERSET MUTUAL WATER COMPANY", and in the inner circle thereon, the words, "Incorporated California December 18, 1911."

ARTICLE XII

Indemnification of Directors, Officers, Employees and Other Agents

Section 1. Agents, Proceedings and Expenses. For the purposes of this Article, “agent” means any person who is or was a director, officer, employee, or other agent of this Company; “proceeding” means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative, or investigative; and “expenses” includes, without limitation, attorneys’ fees and any expenses of establishing a right to indemnification.

Section 2. Indemnification. The Company shall indemnify its agents and, where necessary, provide for the defense of an agent in any proceeding as provided in Corporations Code Section 317.

Section 3. Insurance. Upon and in the event of a determination by the Board of Directors of this Company to purchase such insurance, this Company shall purchase and maintain insurance on behalf of any agent of the Company against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not this Company would have the power to indemnify the agent against that liability under the provisions of this section.