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**BYLAWS**

**MILL CREEK/LASSEN**

**MUTUAL WATER COMPANY**

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## BYLAWS

### MILL CREEK/LASSEN MUTUAL WATER COMPANY

#### ARTICLE I. PURPOSE AND APPLICABLE LAW

**Section 1. Purpose.** These Bylaws provide regulations for the Mill Creek/Lassen Mutual Water Company, a nonprofit corporation, herein referred to as the "Company". The primary objective of this company is to acquire water rights, establish a water system, and to distribute water, without pecuniary gain or profit, to the shareholders of this company. A water system is deemed as the wells, pumps, controls, storage land, easements, water distribution system, any other items necessary to provide domestic, irrigation, and fire protection water to shareholders.

**Section 2. Applicable Law.** The California Corporations Code, Sections 7110 to 8910, are applicable to nonprofit mutual benefit corporations. The California Administrative Code, Title 10, Subarticle 7.1, Mutual Water Companies; Title 17, Public Health; and Title 22, California Waterworks Standards are specifically applicable to this company.

#### ARTICLE II. PRINCIPAL OFFICE

**Section 1. Principal Office.** The principal office for the transaction of the business of the company, and the location of all records of the company, is hereby fixed and located at 801 W. Montgomery Street, Orland, California 95963.

#### ARTICLE III. SHAREHOLDERS

**Section 1. Annual Meeting.** An annual meeting of the shareholders shall be held on the first Saturday of July of each year at 10:00 a.m., or such other date or hour as may be fixed by the Board. The President, Treasurer, and Water Superintendent shall each present a verbal report of the activities of his office for the preceding year and plans for the forthcoming year at the annual meeting.

**Section 2. Special Meetings.** A special meeting of the shareholders may be called for any lawful purpose at any time by the Board, the President, or by a written petition of holders of shares entitled to cast five percent (5%) or more of votes of the company. The notice of the meeting may include a statement prepared by the shareholders group requesting a special meeting and the shareholders may designate a specific shareholder to represent them at the special meeting.

**Section 3. Notice and Location of Meeting.** Written notice of a shareholders meeting, both annual and special, shall be given to each shareholder, by U.S. first-class mail to the address on

the company record, not less than 15 days, nor more than 30 days, before the date of the meeting, and shall include a proxy form if voting will be conducted at the meeting, and:

- a. in the case of a special meeting, the nature of the business to be transacted, and no other business may be transacted, or,
- b. in the case of the annual meeting the agenda which the Board, at the time of the printing of the notice, intends to present to the shareholders.

The notice of any meetings at which directors are to be elected shall include the names of those individuals who have provided to the company notice of their intention to be a candidate, with a brief statement, at least 45 days prior to the meeting. Shareholders representing at least two percent (2%) of the outstanding shares may also nominate candidates for director by petition, signed within 11 months preceding the time directors are to be elected. Additionally, nominations for directors will be accepted from the floor of the annual meeting with the approval from the individual so nominated. The location of all shareholder meetings shall be on Lot 1, which is adjacent to the Mill Creek Resort within the boundaries of the Mutual Water Company, or at a place adequate to accommodate all shareholders who may attend. The cost of sending the notice, the cost of the meeting place, and the cost of ballots and voting for all shareholders meetings shall be paid by the company.

**Section 4. Quorum and Proxies.** Twenty percent (20%) of issued shares of stock represented in person or by proxy, shall constitute a quorum at any meeting of the shareholders and shall be necessary for voting. However, if less than one-third (33-1/3%) of the issued shares are represented at a regular meeting, the only matters that may be voted on are matters included in the notice of the meeting. If a quorum is not present business may be presented, but not acted on, and a majority of those voting shares, or their proxies, that are present may adjourn the meeting.

When a vote will be taken at a shareholders meeting a proxy form shall be sent with the meeting notice and shall include a ballot to instruct the proxy designee concerning the shareholders choice of candidates and other matters presented, or the withholding of the shareholders vote.

**Section 5. Voting at Meeting.** Each shareholder whose name appears on the books of the company as a shareholder, and is in good standing, shall be entitled to have one vote for each share held in the company. If a share has been issued to more than one person the shareholders may designate the person entitled to vote on behalf of that share. If a quorum is present at the meeting, the affirmative vote of the majority, or more, of the shares represented at the meeting and voting on any matter shall be the act by the shareholders; unless the vote by a larger percentage is required by law, the Articles of Incorporation, or these Bylaws. Election of directors shall be by written ballot and the candidates receiving the highest number of votes shall be elected. Other voting may be by voice or by written proxy, if so determined by the voting shares, or their proxies, prior to voting.

**Section 6. Voting without Meeting.** Voting, excluding the election of directors, may be transacted by written ballot at any time as may be determined by the Board, or when requested by written petition of five percent (5%) of the shareholders. A ballot, with adequate information for the shareholder to base a vote for or against the question, shall be sent by U.S. first-class mail to each shareholder in good-standing at least 15 days, and not more than 30 days, prior to the date specified to count the votes. The quorum requirement and all other requirements are the same as if the voting occurred at a meeting.

**Section 7. Ballots.** The Secretary shall verify the validity of all ballots, and shall ensure that all ballots remain secure before counting, and for at least 60 days after being counted, and shall certify the results.

#### **ARTICLE IV. DIRECTORS**

**Section 1. Number and Qualifications.** The authorized number of directors of the company is seven (7), and these directors shall constitute the Board of Directors, referred herein as the Board. Any shareholder in good-standing and not engaged in anything that may be considered a conflict of interest may become a director.

**Section 2. Election and Term of Office.** The terms of office of directors shall be staggered to achieve continuity of leadership commensurate with the election of directors after the first four (4) year term. At the first annual shareholder meeting following adoption of these Bylaws, four (4) directors shall be elected to serve a term of four (4) years, and three (3) directors shall be elected to serve a term of two (2) years. The directors receiving the greater number of votes shall serve the longer terms. At all following meetings, directors shall be elected to serve terms of four (4) years each, except those filling a vacancy. A director may only be elected for two (2) additional four (4) year terms. If for any reason a shareholder's meeting is not held or directors not elected, the directors shall hold office until their respective successors are elected.

**Section 3. Assumption of Office.** Directors elected at the annual shareholders meeting shall assume office upon adjournment of the meeting. Directors filling a vacancy shall assume office immediately following their appointment to the Board.

**Section 4. Resignation and Removal.** Any director may resign or may be removed from office if the director has been declared of unsound mind by final order of a Court or is convicted of a felony. Vacancies caused by resignation, death, or removal may be filled by appointment by a majority of directors remaining in office until the next election of directors, at which time a director will be elected to fulfill the balance of the term thereof.

**Section 5. Regular Board Meetings.** Following the shareholders meeting, and before adjournment of each regular meeting, the Board shall establish the place, date and time for the next regular meeting. Other than this, no additional notice is required to be given to the directors for regular meetings. The President, Treasurer and Water Superintendent shall provide a verbal

report of the activities of his office since the last regular meeting. At least one regular board meeting shall be held annually.

**Section 6. Special Meetings.** A special meeting of the Board may be held at any time for any lawful purpose. A special meeting of the Board may be called by the President or any two (2) directors.

**Section 7. Notice and Location of Board Meetings.** Notice of the place, date and time of a regular meeting of the Board shall be posted on the community bulletin board at least three (3) days prior to the meeting for the benefit of shareholders who may want to attend. This notice to shareholders is not required for special meetings. Notice of the place, date and time of a special meeting shall be provided to each director by mail at least five (5) days prior to the holding of a meeting. In the event of an emergency, as determined by the President, a special meeting may be called on forty-eight (48) hours notice. Notice of any special meeting shall be provided personally or by telephone or by telegraph to directors. Regular Board meetings shall be held at a place designated from time to time by the Board of Directors or may be conducted by telephone conference call as provided for in the Corporations Code.

**Section 8. Quorum.** A majority of the number of directors authorized in the Articles of Incorporation shall constitute a quorum for the transaction of business at any Board meeting. Each act or decision made by a majority of directors present at a meeting duly held and wherein a quorum is present shall be regarded as an act by the Board, unless a greater number is required by law, the Articles of Incorporation, or these Bylaws.

**Section 9. Action by Consent.** Any lawful act required or permitted to be taken by the Board may be taken without a meeting, if all Board directors individually or collectively consent in writing to such action. Such action by written consent shall have the same force and effect as a unanimous vote of such directors. Any such written consent shall state that the action was taken by unanimous written consent of the Board without a meeting and that these Bylaws authorized the directors to so act, and such a statement shall be prima facie evidence of such authority.

## ARTICLE V. OFFICERS

**Section 1. Officers.** The officers of the company shall be the President, Vice-President, Secretary, Chief Financial Officer (herein referred to as "Treasurer"), and Water Superintendent. The President or Vice-President may act as the Water Superintendent. The Secretary may also act as the Treasurer.

**Section 2. Election and Term of Office.** The officers shall be elected for a term of one (1) year at the first regular Board meeting following the annual shareholders meeting and they shall hold their respective offices until their resignation, removal, disqualification, or their successors are elected. Officers shall assume office immediately following their election or appointment.

**Section 3. Resignation and Removal.** Any officer may resign, or be removed with or without just cause by action of the Board. Vacancies caused by resignation, death or removal shall be filled for the balance of the term thereof by the Board.

**Section 4. President.** The President shall:

- a) be the Chief Executive Officer and Chairman of the Board;
- b) direct and control the affairs of the company, subject to limitations and approval of the Board;
- c) preside at the annual shareholders meeting, all meetings of the Board, and chair or co-chair special shareholders meetings;
- d) be an 'ex-officio" member of all committees;
- e) review rates and fees annually in an attempt to ensure revenues will equal or exceed budgeted expenses;
- f) prepare an Annual Report for the preceding fiscal year, present this report to the shareholders at the annual shareholder's meeting, and distribute this report to each shareholder within 105 days after the close of each fiscal year;
- g) sign Certificates of Stock and approve all contracts and other documents which may obligate the company;
- h) be responsible that an annual budget is prepared, submitted to the Board for approval at least sixty (60) days prior to the start of each fiscal year, and that a summarized copy of the approved budget is distributed to each shareholder (ref: Article VIII, Section 2).

**Section 5. Vice-President.** The Vice-President shall:

- a) perform all duties of the President in the absence of the President;
- b) advise and assist the President in the performance of his duties and responsibilities.

**Section 6. Secretary.** The Secretary shall:

- a) maintain at the principal office a copy of the current company Articles of Incorporation, Bylaws and Rules and Regulations;
- b) maintain at the principal office a record of the shareholders and their addresses;



- c) be responsible that the proper notice of all meetings has been given;
- d) be responsible that proper minutes of all meetings are recorded, including motions made, and that voting is properly conducted;
- e) countersign Certificates of Stock and ensure their proper accounting and transfer;
- f) be responsible that all correspondence and other records are properly filed and maintained for at least the previous five (5) years, and that all valid permits and copies of title deeds are properly filed and maintained.

**Section 7. Treasurer. The Treasurer shall:**

- a) be responsible for the accurate accounting of financial records in accordance with generally accepted accounting practice;
- b) be responsible to see that each director receives a quarterly financial report;
- c) be responsible that an independent annual audit or review is conducted; to present a financial report at the annual shareholder's meeting, and that shareholders receive an annual financial statement (ref: Article VII, Section 3) within 105 days of the close of the fiscal year.
- d) be responsible that local, state, and federal reports and tax returns are filed in a timely manner;
- e) be responsible that the financial reports are properly maintained, including all the receipts, statements, and other financial matters for at least five (5) years;
- f) be responsible that the company is continually and adequately insured.

**Section 8. Water Superintendent. The Water Superintendent shall:**

- a) direct all maintenance of the water system and facilities;
- b) research and recommend technical methods of improving the performance of the water system;
- c) be responsible for long-term planning and the approved funding thereof, to ensure the continuing pumping, storage, and distribution of water for domestic, irrigation, and fire protection;
- d) be responsible for safety and health of the water supply through the proper sampling, testing, and the reporting of water tests, as required by the state, or as may be requested by the Board;

- e) be responsible that any additions, maintenance, or improvements of the water system or facilities meet current regulations and standards.

## **ARTICLE VI. MANAGEMENT**

**Section 1. Management.** The Board shall have the overall responsibility for the management of the company and shall make general policy, rules, and regulations to control the affairs of the company, all provided they are lawful and consistent with the Articles of Incorporation and these Bylaws. The Mill Creek/Lassen Mutual Water Company resources shall be utilized or shared to the maximum extent when lawful cost effective, and efficient; subject to approval by the Board.

**Section 2. Superintendent.** The company shall have a Superintendent to maintain, operate, supervise and inspect the water system, and such other duties as may be assigned by the Board. He shall report to, and receive direction from, the General Manager.

## **ARTICLE VII. SERVICE AREA, ENTITLEMENT AND STANDARDS**

**Section 1. Service Area and Entitlement.** Water shall be delivered to shareholders in good-standing, and owning property within the service area as described in the Articles of incorporation. In the event there is insufficient water to meet the demands of all shareholders, water shall be allocated proportionately among the shareholders by a method as approved by the Board:

**Section 2. New Service Area.** Annexation of a new service area into the water company water system within the boundaries described in the Articles of Incorporation shall be subject to approval by the Board. A proposed service area not in the boundaries described in the Articles of Incorporation requires shareholder approval before annexation to the company water system. The individual or developer requesting annexation shall pay: (i) the cost to install the water system in their area in accordance with company standards, (ii) upgrade the company system as may be deemed necessary to accommodate their area, (iii) their fair share of the company assets and facilities, and (iv) pay all costs related to obtaining a permit to issue stock.

**Section 3. System Standards.** Additions, maintenance, and improvements of the water system shall meet the applicable requirements imposed by California Administrative Code, Titles 10, 17, and 22 (Re: Article I, Section 2). If not covered by these requirements, the applicable American Water Works Association (AWWA) shall apply. Additionally, the Board may adopt standards specifically applicable to this water system. All work performed by employees, developers, or contractors shall meet these standards and will be inspected by the Superintendent.

**Section 4. Fire Flow Protection Water.** The company will bear the costs of providing fire flow protection water from the company facilities, maintaining and testing any fire hydrants

installed upon the system, including annual flow tests, the records for which tests shall be preserved by company pursuant to 10 CCR 260.140.178.

## ARTICLE VIII. FINANCIAL MATTERS

**Section 1. Fiscal Year.** The company fiscal year shall start on July 1 of each year and end on June 30 of the following year.

**Section 2. Annual Budget.** A proposed annual budget shall be prepared under the direction of the President, with input from each director, and submitted to the Board for approval at least 60 days prior to the start of each fiscal year. After Board approval a copy of the summarized budget shall be distributed to each shareholder within the 30 days of each fiscal year.

**Section 3. Annual Financial Statement.** An annual audit or review of financial records shall be done by a Certified Public Accountant (CPA). The Treasurer shall cooperate fully and without reservation with the CPA. A copy of the summarized annual financial statement shall be distributed to the state Department of Corporations and to each shareholder within 105 days after the close of each fiscal year.

**Section 4. Deposits.** All funds of the company shall be deposited as received to the credit of the company in a federally insured bank(s) or savings institution(s), as approved by the Board.

**Section 5. Disbursements.** Checks, drafts, or other orders for payment and all notes, bonds, or other evidence of indebtedness issued by the company shall be signed by such officer(s), agent(s), or employee(s) of the company as approved by the Board. The Secretary, or designee, will approve each invoice for administrative expenses prior to disbursement. The Water Superintendent, or designee, will approve each invoice for technical expenses prior to disbursement. Disbursements do not require Board approval if they are within the limitations established by the budget and the Board.

**Section 6. Incurring Indebtedness.** The Board shall have the power to borrow money or otherwise incur indebtedness in the name of the company.

**Section 7. Contracts.** The President shall have the authority to enter into any contract or execute and deliver any instrument in the name and on behalf of the company, under the limitations and approval of the Board. Any officer(s), employee, or agent may also have such authority if approved by the Board.

**Section 8. Compensation.** Salaries paid to persons operating or employed by the company shall be reasonable considering the tasks performed and the comparable salaries in the Tehama area. Per-diem rates and travel reimbursement shall be fixed by resolution of the Board. Directors and volunteers shall serve without compensation except for reimbursement of expenses, including per-diem and travel. However, a director may receive reasonable compensation for a specific service, provided it is cost effective for the company and approved by the Board.

**Section 9. Levy of Charges.** *Rates and fees are a part of the assessments charged to shareholders, assessments vary in part on a basis of the kind of service to be provided to the lot which the shareholder's share is appurtenant. While documents may refer to the condition or use of lots, it is understood that the assessment entirely is an assessment, bill, and fee in the form of an assessment of the shareholder. In that the share is appurtenant to the lot owned by the shareholder, and that the water service and the availability of water service from this company is a benefit to the land and a basis for any resale of the land, the assessment of the shareholder also is attached to, and runs with the land of the benefitted.* The Board shall have the authority to establish rates, fees, and assessments to be collected from the shareholders to fund the budgeted expenses and reserves of the company without and prudent for the operation of the company, as

a) **Classification of Service.** The Board shall levy charges according to the classification of service provide to the shareholders property (commercial residential, or community) and sub-classification of service (unimproved property, improved property-limited usage, improved property-full-time usage, or metered).

b) **Rates.** The Board shall approve a rate schedule annually. Rates shall be set on an initial basis, consistent with the required budget revenue. Commercial service may be levied at a higher rate than residential service and community service may be at a lower rate than residential service. Rates may include a charge for excessive water usage to encourage conservation, regardless of classification. The rates shall result in the accumulation and maintenance of reserve funds for the replacement of the water system (the "repair and replacement funds"). The rate charged to a shareholder *whose share is appurtenant to or related to unimproved property* shall bear a proportionate share of the "repair and replacement funds". Additionally, the rate charged a shareholder *whose share is appurtenant to or related to improved property* shall bear a reasonable relationship to the cost of providing water to him.

c) **Fees.** The Board shall approve a written fee schedule annually. Fees will include, but not be limited to, fees for: new connections, administrative, inspection, penalties, restoration of entitlement, and transfer of stock.

d) **Assessments.** The Board may levy an assessment on all shareholders *on a basis of an equal assessment for each lot. Such assessment will be, in the Boards sole discretion, fair, just, equitable, lawful and related in amount to the purpose needed.* Shareholders approval shall not be required for an assessment. Any such assessment shall be reasonable and explained to the shareholders, unless the assessment has been submitted to and, approved by shareholders vote. Assessments will only be for funding of major water system facilities or equipment, and/or to fund emergency situations. Assessments in excess of \$200 per lot per calendar year must be approved at a general shareholders meeting by at least fifty-one percent (51%) of the shares in attendance.

**Section 10. Payments.** Statements for amounts due the company will be sent by first-class mail to each shareholder at the address on record and shall be due and payable to the company when specified on the statement, and shall be delinquent one (1) month after the due date. The fee

schedule approved by the Board will include the fee for being delinquent. This delinquent fee will be reasonable interest charge, and will include the company cost for processing and mailing statements.

**Section 11. Penalty for Nonpayment.** When a shareholder has been delinquent in paying his account for one (1) month, or more, and the shareholder has been billed for the amount due, the company will send a notice of delinquency to the shareholder by U.S. certified mail to the address on record. This notice will include the amount due, including the accumulated delinquent fees, the shareholders right to appeal to the Board, and shall state the restoration fee if entitlement is lost. Any loss of entitlement must be done in good faith and in a fair and equitable manner. If the shareholder appeals to the Board, the Board shall decide the amount due, if any. If the shareholder fails to respond within one (1) month after the Board's decision, the Board will declare the shareholder to be no longer in good-standing, no longer entitled to vote, and may have his/her water shut-off. Action for collection of delinquent accounts shall be taken after a reasonable time, and in addition to the amount due, company shall be entitled to recover the accumulated delinquent fees, restoration of entitlement fee, and all collection costs, including reasonable attorney fees. After payment in full, the shareholder shall be reinstated in good standing, his/her voting rights restored, and the water turned on.

**Section 12. Gifts.** The Board of Directors may accept on behalf of the company any gift, contribution, bequest or devise for any general or specific purpose of the company. Gifts shall not be accepted for personal gain.

## ARTICLE IX. CERTIFICATE OF STOCK

**Section 1. Appurtenant Land and Stock Value.** The lands to which shares of stock may be appurtenant the stock authorized, and stock par value are set forth and described in the Articles of Incorporation.

**Section 2. Issuance.** The form of stock certificate shall be as approved by the Board. The issuance of each share shall be recorded and each certificate signed by the President and the Secretary. Each certificate shall provide the owner's name, a unique number, and describe the appurtenant land and any terms or conditions. Only one share will be issued for each lot set forth on a county-approved subdivision map, or other separate parcel of real property of record. Only one share will be issued for each lot set forth on any future approved subdivision map, or any parcel which may be recorded in the future. There shall be no fractional share issued. The issuance of shares shall be in accordance with California Corporations Code and the permit issued by the Department of Corporations.

**Section 3. Transfer.** In the event of transfer of ownership of land the seller/transferor shall return the issued stock certificate to the company, wherein a new certificate will be issued to the new purchaser/transferee. The company shall not transfer any certificate without satisfactory evidence that title to the appurtenant land is changed and until all payments due are paid in full.

The transfer fee to cover the administrative cost of such transfer shall be as approved by the Board.

#### ARTICLE X. MISCELLANEOUS.

**Section 1. Corporate Seal.** The company seal shall be circular in form, and shall have inscribed thereon the name of the company, the date of incorporation, and the word "California".

**Section 2. Rules of Order.** Roberts Rules of Order, revised, shall govern all shareholders and Board meetings; except that the Articles of Incorporation, these Bylaws, and provisions of law shall take precedence in cases of conflict.

**Section 3. Committees.** The Board may authorize committees and appoint the chairman of each committee. The President shall be an 'ex-officio' member of all committees and sub-committees.

**Section 4. Inspection of Records.** The accounting books, company records (excluding personnel records), and minutes of meetings of the shareholders and of the Board shall be open to inspection upon the written request by any shareholder for a purpose reasonable related to such person's interests as a shareholder. Office personnel shall not be unduly burdened by such request and an administrative fee may be made for copy and mail service.

#### ARTICLE XI. BYLAWS AND AMENDMENTS

**Section 1. Bylaw Construction and Definitions.** Unless the context requires otherwise, the general provisions, rules of construction and definitions contained in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws.

**Section 2. Revisions and Amendments.** The Board may unilaterally amend these Bylaws, without shareholder approval only if and to the extent a Bylaw provision is mandated by law, applicable codes, or the California ent of Corporations. With the foregoing exception, complete revision of these Bylaws may be adopted, or these Bylaws may be amended by a two-thirds (2/3) affirmative vote, written or by proxy, of the shares voting at a meeting of the shareholders. No revision or amendment may relieve or restrict the Board from having the unilateral authority to levy rates, fees or assessments, except as conditioned herein as to amounts in excess of \$200/share per calendar year. No revision or amendment may relieve or restrict the Board from having the unilateral authority to levy rates, fees, or may change the requirements set forth by the Articles of Incorporation, or law. Any proposed revision or amendment to these Bylaws shall be reviewed to assure compliance with the Articles of Incorporation, and applicable laws and codes.

#### CERTIFICATION BY SECRETARY

I, the undersigned, certify that I am presently the elected Secretary of the Mill Creek/Lassen Mutual Water Company, and that the above Bylaws were adopted by the Board of Directors at a meeting duly held on August 26, 2003.

Dated:

Shirley Basaca  
Secretary

INCORPORATED UNDER THE LAWS OF THE STATE OF CALIFORNIA

CERTIFICATE NUMBER: \_\_\_\_\_

SHARES: \_\_\_\_\_

# Certificate of Membership

MILL CREEK/LASSEN MUTUAL WATER COMPANY

Capital Stock, \_\_\_\_\_ Shares - Par Value \$1.00 Each

THIS SHARE IS ASSESSABLE IN AMOUNTS SET FROM TIME TO TIME BY THE BOARD OF DIRECTORS OF COMPANY. FAILURES TO PAY MAY RESULT IN LOSS OF THE SHARE AND OF THE RIGHT TO RECEIVE WATER SERVICE FROM THE COMPANY. THIS SHARE IS APPURTENANT TO THE LOT OR PARCEL OF LAND SHOWN UPON THE FACE OF THE SHARE AND MAY NOT BE TRANSFERRED, CONVEYED OR ENJOYED EXCEPT BY THE HOLDER OF THE TITLE TO THE LAND TO WHICH IT IS APPURTENANT.

THIS CERTIFIES THAT \_\_\_\_\_ is a member of

MILL CREEK/LASSEN MUTUAL WATER COMPANY

# SAMPLE

a non-profit corporation, and each such member by the acceptance of this Certificate of Membership in said Corporation does hereby agree to be bound by the now existing or hereafter adopted terms and provisions of the Articles of Incorporation and By-Laws of this Company.

The Membership evidenced by this Certificate is appurtenant to that certain lot of land in the County of Tehama, State of California, to wit:

and upon the sale, exchange or transfer of said property, the Membership evidenced hereby shall pass to and vest in the purchaser or transferee, and the Transferor of such property shall surrender this Certificate to the Secretary of this Corporation for the issuance of a new Certificate of Membership to the purchaser or transferee, all in accordance with and subject to each of the terms and conditions of the By-Laws of this Corporation. This Certificate entitles the holder or holders thereof to one vote for each lot described above, regardless of the number of owners thereof.

The Membership represented hereby is fully assessable pursuant to the By-Laws of the Corporation and the Corporations Code and other laws of the State of California.

IN WITNESS WHEREOF, the said Corporation has caused this Certificate to be signed by its duly authorized officers and its Corporate Seal to be hereon affixed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

MILL CREEK MUTUAL WATER COMPANY:

Dated: \_\_\_\_\_

\_\_\_\_\_  
President

Dated: \_\_\_\_\_

\_\_\_\_\_  
Secretary