

BY-LAWS
OF THE
BORREGO AIR RANCH
MUTUAL WATER & IMPROVEMENT CO.

EFFECTIVE
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BY-LAWS
of the
BORREGO AIR RANCH MUTUAL WATER & IMPROVEMENT CO.

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ARTICLE I - The General Corporation Law Applicable

The term "The General Corporation Law" is used in these by-laws with the same meaning as defined in Chapter 1 of the Corporations Code of the State of California; and words, phrases and terms are used in these by-laws with the same meaning as used or defined in the General Corporation Law.

ARTICLE II - Shareholders

Section 1. CERTAIN PROVISIONS OF LAW APPLICABLE.

Except in those particulars and to the extent hereinafter expressly provided for, all of the provisions of the General Corporation Law are approved, adopted and made applicable to the Company; and whenever approved, adopted and made applicable to the Company; and whenever no express provision is contained herein with respect to any matter authorize to be regulated, fixed or established by or in the by-laws, it is intended to adopt and approve the provisions of The General Corporation Law pertaining thereto and regulating or providing for the same.

Section 2. TIME OF ANNUAL MEETING.

The annual meeting of the Shareholders shall be held on the second Saturday in April at 11:00 o'clock A.M. or as the Board of Directors may fix.

Section 3. SPECIAL MEETINGS.

Special meetings of the Shareholders for any purpose or purposes whatsoever may be called at any time by the President or by the Board of Directors, or any two or more members thereof, or by one or more members thereof, or by one or more shareholders holding not less than ten (10) of the shares of the Company.

Section 4. PLACE OF MEETINGS.

All meetings of the shareholders shall be held at the principal office of the Company; provided that any meeting may be held at any other convenient or suitable meeting place in the city or community in which said principal office is situated, and which is fixed or appointed as the place for meetings, or for that meeting, from time to time and at any time, by resolution of the Board of Directors adopted by majority vote.

Section 5. 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 the following way:

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(a) By sending a copy of the notice through the mail, charges prepaid, to his address appearing on the books of the Company, or supplied by him to the Company for the purpose of notice, and if no address be supplied, then addressed and mailed to the place where the principal office of the Company is situated; or

(b) By publishing said notice once in some newspaper of general circulation in the County of said principal office; provided, such publication need not be made more than ten (10) days before the meeting.

Section 6. FORM OF NOTICE AND STATEMENT OF PURPOSE.

Notice of any 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, but in the case of the annual meeting need not be stated.

Section 7. SHAREHOLDERS ENTITLED TO NOTICE.

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 only to those who appear from the stock records as registered holders at 5:00 o'clock P.M. on the day immediately preceding the day of mailing; and 5:00 o'clock P.M. on the day immediately preceding the day of mailing is the record date and time for the determination of shareholders entitled to notice of meeting.

Section 8. SHAREHOLDERS ENTITLED TO VOTE.

5:00 o'clock P.M. on the fifth day next preceding the day first appointed for a shareholders' meeting is hereby fixed as the time for the close of stock books, and the determination of those entitled to vote at the meeting, and 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. Only those shares which are free of liens, fines, fees, and/or assessments due to the Company at the close of the stock books shall be eligible for voting at that meeting.

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 be adjourned to a subsequent date, the stock books shall open upon adjournment so as to permit transfer, but not so as to affect the right of voting, determined as above provided.

Section 9. BUSINESS TO BE TRANSACTED.

At the annual meeting a Board of Directors shall be elected, and such other corporate business as shall come before the meeting may be transacted, including the amendment, repeal and adoption of by-laws, the approval and ratification of amendments to 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

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with respect to which the shareholders are permitted to act. At a special meeting any business may be transacted of the general nature specified in the notice thereof, but not otherwise.

Section 10. MANNER OF VOTING AT SHAREHOLDERS' MEETINGS.

Every shareholder shall have the right to vote, either in person or by an agent or agents authorized by a written proxy executed by such person or by his duly authorized agent and filed with the Secretary of the Company. At all meetings of shareholders, all questions, other than an election of directors, except as otherwise expressly provided by statute or by these by-laws, shall be determined by a majority vote of the shares represented at the meetings, and all voting shall be viva voce, unless a majority in voting power of the shares represented shall demand a vote by written ballot. Election for directors need not be by ballot, except upon demand made by a shareholder at the election, and before the voting begins. There shall be no right of cumulative voting by the shareholders.

ARTICLE III - Directors

Section 1. PROVISIONS OF THE GENERAL CORPORATION LAW.

Except in those particulars and to the extent hereinafter expressly provided for, all provisions of the General Corporation Law are approved, adopted and made applicable to the Company; and whenever no express provision is contained herein with respect to any matter authorized or permitted to be regulated, fixed or established by or in the by-laws, it is intended to adopt and approve the provisions of The General Corporation Law pertaining thereto and regulating or providing for the same.

Section 2. QUALIFICATIONS AND NUMBER OF DIRECTORS.

Only shareholders who are bona fide owners of at least one (1) share of the capital stock of the Company shall be eligible to election, or hold the office of Director. There shall be five (5) members of the Board of Directors.

Section 3. ORGANIZATION MEETING.

A meeting of the Board of Directors shall be held immediately after their election, for the purpose of organizing, electing and appointing officers and transacting such business as shall come before the meeting. No notice of such meeting need be given. If not held at the time appointed, the business of reorganization shall be transacted at the first regular or special meeting held thereafter. Nothing herein shall prevent an earlier meeting, with the written consent of all the directors.

Section 4. REGULAR MEETINGS.

Regular meetings of the Board shall be held on the second Saturday of each month at the hour of 2:00 o'clock P.M. provided the time of holding such regular meetings and the frequency thereof may, from time to time, and at any time, be changed by resolution adopted by majority vote of the Board. It shall

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not be necessary to give notice of regular meetings nor of the business to be transacted; provided, if the time for holding regular meetings be changed, written notice of that fact shall be given to those directors who were absent at the time of the adoption of the resolution effecting the change. If the time appointed for a regular meeting falls upon any holiday, the meeting shall be held at the same hour on the next succeeding business day.

Section 5. SPECIAL MEETINGS.

Special Meetings of the Board of Directors shall be called by the President, or, if he be absent, or is unable or refuses to act, by the Vice-President, or by any two directors.

Section 6. NOTICE OF SPECIAL MEETINGS.

Written notice of special meetings of the Board of Directors shall be given each director in one of the other of the following ways:

- (a) By personal delivery of a copy of said notice not later than on the second day next prior to the day appointed for the meeting, or
- (b) By sending a copy of said notice by mail or telegram not later than on the fifth day next prior to the day appointed for the meeting.

Section 7. BUSINESS TO BE TRANSACTED.

It shall not be necessary to state in any notice, whether of a regular or special meeting, the nature of the business to be transacted thereat, and any business that the Board could have transacted at a regular meeting may be transacted at a special meeting with like effect, unless otherwise provided by law.

Section 8. VACANCY.

Should any member of the Board of Directors resign or be unable to serve on the Board, the remaining members of the Board shall select a replacement therefore.

Section 9. DIRECTORS TO BE HELD HARMLESS

In consideration of the service on the Board of Directors of BAR by the members of said Board, the Shareholders-Owners of BAR hereby hold the Board of Directors harmless from any liability which the Board of Directors and each member thereof, while serving in the capacity of board member, shall incur which arises from the usual and regular scope of activity of said service.

The Shareholders-Owners also agree to indemnify any member of the Board of Directors against any and all liability, loss, costs, damages, attorney's fees and other expenses which said member of the Board of Directors may sustain or incur in consequence of his acts as a member of the Board of Directors and

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while serving in that capacity. Provided, however, that the above hold harmless and indemnity agreement shall not apply or be effective for any illegal or wrongful acts by said member or any act of gross negligence.

ARTICLE IV - Notices

Section 1. APPLIES TO ALL NOTICES.

Except as in conflict with law, or other provisions of these by-laws, the provisions of this Article are intended to, and shall apply to, all notices required, or permitted to be given, including notice of shareholders' meetings, directors' meeting and assessments.

Section 2. BY WHOM GIVEN AND SIGNING.

Notices shall be given by the Secretary. If the person whose duty it is to give any notice shall fail or refuse to so do, then it shall be given by any person thereto directed by the President or by the Board of Directors.

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 printed, stamped, multigraphed, typewritten or made by the method used in making any other portion of the notice.

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, 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 the same does not appear on such records, then addressed to such person at the Post Office where mailed. The notice shall be deemed to have been deposited in said Post Office if delivered to a letter carrier making mail deliveries from said Post Office, or 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, or of these by-laws specifically regulating the matter, from time to time, or 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.

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- (c) The date, or dates, of publication.
- (d) The form and contents of the notice.
- (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.

Section 5. NO NOTICE TO PERSON GIVING THE SAME.

Where the person giving any notice shall belong to the class entitled to notice, no notice need be mailed to or otherwise served upon such person, and it shall be conclusively presumed that service of the notice has been made personally upon that person.

Section 6. QUORUM.

A majority of the authorized number of the Board of Directors shall constitute a quorum.

ARTICLE V - Officers

Section 1. NUMBER OF OFFICERS.

The officers of the Company shall be elected by the Directors, and shall be a President, a Vice-President, a Secretary and a Treasurer. The President and Vice-President shall be members of the Board of Directors, and if either shall cease to be a director at any time, he shall ipso facto, cease to be such President or Vice-President. No other of said officers need be members of the Board of Directors. Any two of said offices, except those of President and Vice-President, may be held by the same person. At its first meeting after each annual election of shareholders, the newly elected board of directors shall organize and shall elect a President, a Vice President, a Secretary and a Treasurer, and may at the same meeting, or from time to time thereafter, appoint additional officers. Unless sooner removed by the Board of Directors, or unless they resign or become or be 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:

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- (a) Preside at all meetings of the shareholders and directors. Such shall not prevent him from voting, either at shareholders' meeting, or as a director at directors' meeting, upon any question.
- (b) Unless otherwise directed by the Board of Directors, sign as President all deeds and all other instruments in writing which have been first approved or authorized by the Board of Directors.
- (c) Have, subject to advice of the Directors, general supervision of the business and affairs of the corporation, 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 committee when required;
- (b) Keep the corporate seal of the Company, and the books of blank certificates of stock, fill up and countersign all certificates issued, and affix the corporate seal to all papers requiring a seal;
- (c) Keep proper account books and such records and books pertaining to the issuance and transfer of shares as may be required by law, or these by-laws, or as the Board of Directors shall prescribe, and discharge such other duties as pertain to his office, or which may be required by law, or by these by-laws, or by the Board of Directors.

Section 5. TREASURER.

The Treasurer shall:

- (a) Have the custody of the corporate funds and securities and 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 depositaries 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 his transactions as Treasurer and of the financial

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conditions of the Company; provided, the Board may prescribe the manner in which funds shall be withdrawn from and paid out by any depositary;

(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 office, and for the restoration to the Company, in case of his death, resignation, retirement, or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Company.

Section 6. DUTIES OF OFFICER 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 VI - 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 be thereto authorized by the Board of Directors.

Section 2. FORM.

Subject to the provisions of law, and these by-laws, certificates for shares shall be of such form and device as the Board of Directors may, from time to time, direct.

The person to whom issued shall be denominated therein as the "registered holder."

The person in whose name a pledge of shares may be registered on the certificate (and on the stock records of the Company) shall be known as the "registered pledgee."

Each certificate shall be issued and held upon and subject to all the conditions and provisions thereon stated and all of the conditions and provisions of the law, the Articles of Incorporation, by-laws, and rules and regulations of the Company, all of which shall be binding upon the registered holder, the registered pledgee (if any) and any transferee or person claiming any interest in the shares, or any of them, evidenced thereby.

Section 3. CHARGES ARE LIENS.

Each charge for assessments, fees, tolls, fines or similar charges to or for the registered holder of shares appurtenant to any parcel by virtue of or in respect of ownership of such shares is a lien against such shares from the time any such charge is owing until such charge is paid. Said lien may be foreclosed in

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the manner now or as may be hereafter provided by laws of the State of California. Notice of the foreclosure of such lien shall be mailed to the registered holder (and pledgee of said shares if the Company has notice of pledge of the shares) at the address of such registered holder, and pledgee if applicable, as they then appear upon the books of the Company. No prior demand for payment or other notice of foreclosure is required to be given to the registered holder and/or pledgee.

Section 4. NO TRANSFER WHILE UNPAID LIENS.

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 there against remains or is unpaid.

Section 5. ASSESSMENTS AND LIENS.

The Board of Directors shall provide that each certificate shall bear on its face a statement that the shares evidenced thereby are assessable and subject to liens, and such other provisions in connection therewith as it deems proper, subject to the law, the Articles of Incorporation and these by-laws.

Section 6. PENALTIES, INTEREST AND COLLECTION COSTS.

Each shareholder 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 shareholder 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 all expenses of any sale.

Section 7. PENALTIES ON DELINQUENT ASSESSMENTS.

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 owned by the said shareholder and be secured thereby and enforced in the same manner and with the same effect as the principal debt.

Section 8. ASSESSMENT DEFINED.

Whenever elsewhere in these by-laws or in the share certificates, the terms "assessment", "charge", "toll", "special charge", or any of them, shall be used, such term 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, toll or special charge, or attaching, accruing or resulting from the non-payment thereof when due.

Section 9. LIABILITY OF REGISTERED SHAREHOLDER.

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The registered shareholder on the books of the Company shall be entitled to all of the benefits accruing to such shares as are registered in his name, and shall be personally liable for all assessments levied by the Company against such shares and for all tolls and charges accruing in favor of the Company by reason of such shares during the time the same are registered in his name. The provisions of California Civil Code Section 331 are applicable.

Section 10. SHAREHOLDER RIGHTS AND PRIVILEGES.

Each shareholder shall be entitled to all the rights and privileges accruing to shareholders pursuant to the Articles of Incorporation, By-Laws and other rules and regulations of the Company. However, before being entitled to receive such rights and privileges, each shareholder shall be the registered owner of at least one appurtenant share of stock for each original Air Ranch parcel, as shown on San Diego County Record of Survey 1841. In addition, each such shareholder shall be a registered owner of at least one appurtenant share of stock for each acre or fraction thereof contained in any parcel. In no case shall any such original Air Ranch parcel be permitted to have less than one appurtenant share of stock in the Company. Furthermore, where any such original Air Ranch parcel has been divided into two or more parcels, each resulting parcel similarly shall be subject to the same requirements regarding ownership of appurtenant shares as any original parcel. The foregoing notwithstanding, where a registered owner of stock is the owner in fee of an Air Ranch parcel containing more than one acre of land, and has or wishes to be eligible to obtain only one connection to the water system of this Company per share of stock, then such registered owner shall be required to own only one share of stock of this Company for each four acres or fraction thereof contained within that parcel.

Water shall be sold, distributed, supplied or delivered only to owners of shares of this Company. Each shareholder shall be entitled to one connection to the water system of this Company for each share of stock. Each connection to the water system shall be used only for a single residence and associated hangar. Water allotted to individual shares shall be used solely and exclusively upon the lands to which the respective shares are appurtenant, unless the Board of Directors shall consent to or permit the use elsewhere and as permitted by the laws of the State of California.

ARTICLE VII - Powers of Board of Directors

The Board of Directors, subject to restrictions of law, the Articles of Incorporation, or these by-laws shall exercise all of the 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 they are hereby given, full power and authority, in their unlimited discretion (to be exercised by resolution adopted by majority vote of all the members of the Board whether denominated a rule or regulation, or otherwise) in respect to the matters, and as hereinafter set forth, to wit:

(a) In order to transfer, sell, lease, or merge any land or water systems of the Borrego Air Ranch Mutual Water and Improvement Company, first all stockholders must be notified by mail not less than 30 days prior to such a meeting and would require a majority approval of all the shareholders.

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Section 1. 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 state and date of incorporation. Said seal shall be affixed to the share certificates and such other instruments as the Board shall direct.

Section 2. 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 3. FINANCIAL REPORTS.

To prescribe the form, and provide for making and giving financial statements and reports to the shareholders.

No balance sheet with statement of income and profit and loss, or other report provided for in the Corporations Code of the State of California need be sent to the shareholders, and the provisions of said section are expressly dispensed with.

Section 4. RULES AND REGULATIONS.

To adopt, repeal, modify, from time to time change, and enforce, all rules and regulations not inconsistent with laws of the State of California, or with the Articles of Incorporation, or with these by-laws, by them deemed essential or desirable for the management or conduct of the Company's business affairs, or 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 referred to, and authorized to be determined by the Board of Directors.

Section 5. TRANSFER FEE.

To provide for the payment of a transfer fee, to be fixed by the Board of Directors, for the transfer of stock upon the books of the Company; provided, such transfer fee shall not exceed Twenty Five Dollars (\$25.00) for each new certificate issued.

Section 6. 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 the rate of not to exceed ten per cent (10%) per year.

Section 7. PENALTIES.

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To provide for the imposition and enforcement of a penalty for violation of the rules and regulations of the Company, not exceeding in any instance the sum of Fifty and no/100 Dollars (\$50.00).

Section 8. WITHHOLDING SERVICE.

To provide for the withholding of delivery of water or other services from any shareholder, whenever and so long as there remains unpaid and delinquent any toll, charge of assessment against said shareholder; to provide for such withholding for violation of the rules and regulations of the Company and to provide the time when and the conditions upon which delivery of such services may be resumed. The provisions of California Civil Code Section 331 are applicable.

Section 9. EXTENSION OF DISTRIBUTION SYSTEM.

To provide and determine the place or places where, and the points to which, the water distributing system 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 Board of Directors shall, at all times, be the exclusive judge of the necessity and expediency of constructing, enlarging, changing and extending the distribution system of the Company, and such expediency and necessity shall, at all times, be determined by the subject to the sole and uncontrolled discretion of the Board of Directors.

Section 10. TOLLS AND ASSESSMENTS.

To fix, and from time to time change, the charges or tolls payable to water furnished, or other service rendered; and to levy, collect and enforce assessments against the shares of stock.

It shall lie within the discretion of the Board of Directors to determine what part of the revenue of the Company shall be raised by assessments, and what part by tolls or rates, and what amount or items shall be charged to current operating expense, and what to permanent additions or betterments.

Section 11. MEASURING AND DIVERSION DEVICES.

To provide for determine and fix the location and installation of the measuring gates, hydrants, weirs and meters for turning out 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 such gate, hydrant, weir, or meter shall be installed, repaired and maintained at the expense of the shareholders using the same.

Any such appliance shall be under the control of the Company and be deemed a part of the Company's distributing system for purpose of inspection and such control, and the Company shall have the right to repair and replace the same, the expense of which shall be paid to the Company, upon demand, by the shareholder or shareholders using the same.

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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 of the Company 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 until it shall have been actually released or delivered to the shareholder.

Section 12. REGULATION 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 outstanding share, and the amount apportioned for and to be delivered to each share for any season, year or period of time. In making such determination, the Board shall take into consideration seepage, evaporation and other losses, storage capacity, amount to be retained in storage for seasonal and future uses, and all other factors by them deemed relevant, and their determination, in good faith, shall be conclusive upon each and every shareholder.
- (b) The time when delivery shall begin and end each season or year.
- (c) The notice required for and conditions under which delivery is to be made.
- (d) That any shareholder not taking the water allotted to his shares at the time provided therefor shall forfeit or lose the right to delivery of that water.

Section 13. LOCATION OF SHARES.

To provide for and permit the location of the shares upon specific lands, to which land the shares shall then be deemed appurtenant, such location to be made in the manner and with the effect hereinafter provided. All shares shall be appurtenant to certain lands, as described on the certificate(s) issued to the respective land owner. When such certificates are issued, the shares of stock shall become appurtenant to the lands described therein, and may only be transferred in connection with a transfer of ownership of the land to which the stock is appurtenant, except after forfeiture for delinquent assessments or other charges thereon, in which case the forfeited stock shall become capital stock of the Company. Such forfeiture shall not relieve the shareholder from the requirement that each original Air Ranch parcel as shown on San Diego County Record of Survey 1841 must have at least one appurtenant share of stock.

Section 14. LIMITATION ON INCURRING INDEBTEDNESS IN EXCESS OF \$25,000.

To incur indebtedness from time to time, the amount of which unpaid at any time shall not exceed the sum of Twenty Five Thousand Dollars (\$25,000), unless such unpaid indebtedness, in excess of Twenty Five Thousand Dollars (\$25,000) has been approved or ratified by the vote or written consent of

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shareholders entitled to exercise a majority of the voting power of the outstanding shares of the Company.

ARTICLE VIII - Principal Office

Until further notice the principal place of business of the corporation shall be Borrego Air Ranch, Borrego Springs, CA 92004.

ARTICLE IX - Amendments

Except as otherwise provided by law, by-laws may be adopted, amended, or repealed either by approval of a majority of the outstanding shares of this corporation, either voting at a meeting or by written consent. The Board shall not have authority to amend by-laws. However, any by-law relating to the location of shares can be adopted, amended or repealed only by vote or written consent of at least two-thirds of the outstanding shares and not otherwise.