

Bylaws of
Raineri Mutual Water Company
A California Nonprofit Mutual Benefit Corporation
Los Gatos, California

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Adopted: May 2015

ARTICLE 1: CORPORATE NAME AND OFFICE

- 1.1 The name of the Corporation is Raineri Mutual Water Company. [hereinafter "Raineri Mutual"]
- 1.2 The principal office of Raineri Mutual is located at 20352 Santa Cruz Highway, Los Gatos, California 95033, in the County of Santa Clara; mailing address is P.O. Box 11, Los Gatos, CA 95031

ARTICLE 2: QUALIFICATIONS FOR AND OBLIGATIONS OF MEMBERSHIP

- 2.1 Membership in Raineri Mutual shall be limited to holders of title (legal or equitable) to parcels of land situated within the boundaries of that certain land described in the Articles of Incorporation.
- 2.2 Holders of legal or equitable title to any parcel or parcels shall qualify for Membership in the Raineri Mutual, subject to the limitations set forth in Paragraph 2.4. Raineri Mutual will issue a Membership Certificate evidencing the member's interest in the Corporation.
- 2.3 The word parcel as used in these Bylaws is hereby defined: a parcel, lot, tract or portion of land to which title is held (legal or equitable), upon which exists a habitable dwelling or which has been deemed a "buildable lot" by the County of Santa Clara.
- 2.4 The water owned by Raineri Mutual shall only be sold, distributed, supplied or delivered to members of the corporation, for irrigation or domestic use only upon the parcel owned by that member, and to which their membership interest shall be appurtenant. Such membership interest shall only be transferred with the parcel to which it is appurtenant, and when the parcel is sold, the transfer shall serve to terminate the transferring member's interest in Raineri Mutual. Upon such termination, the transferring member shall surrender their Membership Certificate, and a new certificate will be issued to the new owner.
- 2.5 Each Member of Raineri Mutual shall have a property interest in this Corporation, as evidenced by their Membership Certificate.
- 2.6 Each member shall pay to Raineri Mutual within the time and on the conditions set by the Board of Directors, the dues, fees and assessments in amounts to be fixed from time-to-time by Raineri Mutual as may be required to provide, maintain, or improve the water services provided by Raineri Mutual.
 - 2.6.1 Assessments may be levied upon the Membership by a majority vote of the Membership, or by the Board of Directors, as hereinafter provided.

- 2.6.2 No Member may waive or otherwise escape liability for the assessments provided for herein by non-use of water or by abandonment of the parcel or parcels to which their membership interest is appurtenant.
- 2.6.3 Upon sale of any improved property served by the Company, it shall be the duty of the Seller to advise the Buyer of any unpaid assessments, and that said assessments travel with the sale and become the responsibility of the Buyer. Unpaid assessments may include past due assessments as well as any assessments levied and to be paid in installments, which installments have not yet come due. Regardless of whether the Seller has so advised the Buyer of their obligation with respect to payment of assessments, such Buyer shall nonetheless be obligated to pay any unpaid assessments as a condition for receiving water from Raineri Mutual.
- 2.6.4 Where charges and assessments remain unpaid for sixty (60) days, as hereinafter provided, the Board of Directors may declare the Membership interest appurtenant to the parcel to which such charges and assessments apply forfeited, in which case such Membership interest may not be transferred, and the parcel to which such interest is appurtenant may not receive water service from Raineri Mutual.
- 2.6.5 Upon payment of all delinquent charges and assessments, Raineri Mutual will reinstate the Membership interest to the parcel to which such charges and assessment apply, and either reissue the Membership Certificate, or issue a new one to the new owner.
- 2.7 It is the responsibility of each member to notify the Corporate Secretary in writing or by email, at the mailing address set forth above, or at an email address to be established by Raineri Mutual, of their current mailing address and email address. A confirmation of the change will be emailed or mailed to the member.
- 2.8 The cost to become a member during initial formation of Raineri Mutual is Two Thousand dollars (\$2,000) per habitable dwelling or a buildable lot.
- 2.8.1 If a homeowner or land owner does not join during the formation of Raineri Mutual, Raineri Mutual is not obligated to supply them water in the future.
- 2.8.1.1 The board can authorize adding new members after an independent engineering report (to be paid by the applicant) is done showing that there will be no significant negative impact on the water use of the existing members.
- 2.8.2 The fee to join, after the initial formation, will be set by the board and can be substantially higher than the amount paid by the original members. In addition to the fee to join, the new member will have to pay for all costs associated with hooking up his property to the water system. This section may be subject to any limitations imposed by government or any entity that has control over the water used by Raineri Mutual.

- 2.8.3 A Member, in good standing, is entitled to hook up anytime in the future and the cost of hooking up will be the actual cost incurred by Raineri Mutual. This section may be subject to any limitations imposed by government or any entity that has control over the water used by Raineri Mutual.
- 2.9 Raineri Mutual shall have, and is hereby given, a lien upon the land of each Member to which their Membership interest is appurtenant, as security for any moneys due or to become due for any charges, fees or assessments levied by Raineri Mutual in accordance with these bylaws. Raineri Mutual shall provide sixty (60) days notice of its intent to record such lien prior to doing so.

ARTICLE 3: MEETINGS OF THE MEMBERSHIP

- 3.1 The Annual Meeting of Members shall be held on the first Monday in May of each year.
- 3.1.1 The Annual Meeting shall be held in Los Gatos, County of Santa Clara, State of California, unless a suitable meeting place is not available. Notice of the Annual Meeting shall be given by mail or e-mail, not less than 10 nor more than 90 days before the meeting.
- 3.2 A special meeting may be called by the Board of Directors, the President, or five percent (5%) or more of the members for any lawful purpose at any time. A special meeting called by any person entitled to call a meeting of the members shall be called by written request, specifying the general nature of the business proposed to be transacted, and shall be addressed to the attention of the President or Secretary of the Board of Directors. The officer receiving the request shall cause notice to be given promptly to the members entitled to vote, stating that a meeting will be held at a specific time and date fixed by the Board of Directors that is not less than 35 nor more than 90 days after receipt of the request. Business other than the business that was set forth in the notice of the meeting may not be transacted at a special meeting.
- 3.2.1 The Secretary shall email or mail a copy of such notice to each Member, at his or her address as listed in the records of Raineri Mutual, at least five (5) days before the date of the Meeting, in case of emergency, otherwise fifteen (15) days. If notice is not given within 20 days after the request is received, the person(s) requesting the meeting may give the notice.
- 3.3 Thirty-three percent (33%) of the eligible members shall constitute a quorum for the transaction of business at any meeting of the members. A majority of the votes cast is required to approve items presented to the quorum.

ARTICLE 4: VOTING BY THE MEMBERSHIP

- 4.1 The qualifications to vote in elections of Raineri Mutual shall be as follows:

- 4.1.1 A voter shall be a Member in good standing, that is, not delinquent in the payment of assessments, charges, or fees owed to Raineri Mutual. Definition of delinquent: Member with an outstanding balance over sixty (60) days old.
- 4.1.2 Members shall have one vote per Membership Certificate per parcel.
- 4.1.3 When a qualifying parcel is owned in joint tenancy or tenancy in common, the Membership as to such parcel shall be joint, and the rights of Membership, including voting, shall be exercised by the joint action of all owners of the parcel.
- 4.2 Any Member may authorize another person or persons to act by proxy with respect to voting their Membership, except as follows
 - 4.2.1 Proxies may not be solicited by either the Board of Directors or Members.
 - 4.2.2 Written proxies must be presented to the Office of the Secretary of Raineri Mutual prior to the vote at which the proxy is to be used.
- 4.3 Unless otherwise provided in these Bylaws, all matters submitted to the Membership shall be decided by majority vote.

ARTICLE 5: RESTRICTIONS UPON THE MEMBERSHIP

- 5.1 The Board of Directors, at its discretion, may decline to provide water service to any dwelling converted from a single family dwelling to a multiple dwelling; provided, however, where the owner of the parcel provides an independent engineering report (to be paid for by the Member) showing that there will be no significant negative impact on the water use of the existing members.

ARTICLE 6: ELECTION, SUCCESSION AND REMOVAL OF DIRECTORS AND ALTERNATES

- 6.1 The corporate powers of Raineri Mutual, except as reserved in these Bylaws to the Membership, are vested in a Board of Directors consisting of five (5) Members.
 - 6.1.1 The Directors will serve for 2 year terms.
 - 6.2 Each Director shall be indemnified, to the maximum extent provided by law, by Raineri Mutual against all expenses and liabilities incurred by or imposed upon him or her by reason of having been a Director of Raineri Mutual. Such indemnification obligation shall include the obligation to provide counsel of the Director's choosing at the expense of Raineri Mutual.
 - 6.3 Nominations for Directors and Alternates shall be made and voted upon for positions to be filled, such nominations and elections to take place at the Annual Meeting.
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- 6.2.1 Any Member nominated at this Annual Meeting must be in good standing and paid in full with Raineri Mutual.
- 6.3.2 Any Member so nominated must either be present to acknowledge the nomination, or must have given, prior to the Annual Meeting, written notice to the Board of Directors of his or her willingness to serve, if elected.
- 6.4 Election of Directors and Alternates shall be by secret ballot.
- 6.5 Voting rules are as follows.
 - 6.5.1 Each Member shall be entitled to one vote for each position to be filled.
 - 6.5.2 A Member may not vote more than once for any one nominee; any ballot received which contains more than one (1) vote for any nominee shall be deemed invalid.
- 6.6 Nominees shall be elected according to the total number of votes received, as follows.
 - 6.6.1 The nominees receiving the largest vote totals shall be elected as Directors for a two (2) year term.
 - 6.6.1.1 At the 2015 annual meeting of members, the two (2) or three (3) incumbent board members and/or alternates shall stand for election to serve as directors for terms of one (1) year. The remaining two (2) or three (3) directors' seats, as well as alternates, shall stand for office and be elected to two (2) year terms as Directors. Thereafter, each director will serve for a term of two (2) years. At each annual meeting, new directors shall be elected to fill the term of those directors which are expiring. The respective term of office for directors will expire at the time of the first meeting of the Board of Directors following the elections held at the annual meeting of the members.
 - 6.6.2 Those nominees not elected are designated "stand-by" alternates and ranked according to the number of votes received.
- 6.7 In the event of occurrence of any tie in the voting which prevents the clear determination of the winner of any contested position, the following procedure shall be followed.
 - 6.7.1 The Board of Directors shall direct an immediate recount of the ballots.
 - 6.7.2 If a tie or ties then still exist(s), each group of nominees so tied shall be offered the opportunity to agree at once among themselves which of the contested positions to accept. Those nominees who so agree shall be declared elected to those respective positions.
 - 6.7.3 If a tie or ties then still exist(s) additional ballots shall be cast as necessary until resolution of the issue. Each Member shall then cast no more votes than the number of positions still contested.
- 6.8 Succession of Alternates is as follows:

6.8.1 If for any reason a Director's position becomes vacant, the First Alternate shall replace that Director to serve the remainder of the unexpired term.

6.8.2 A second vacancy shall be similarly filled by the Second Alternate.

6.8.3 A third or subsequent vacancy shall be appointed by a majority of The Board.

6.9 Dismissal and Recall of Directors is as follows.

6.9.1 Each Director and Alternate shall be informed of his or her responsibilities with regard to attendance, at the beginning of his or her term.

6.9.2 Any Director or Alternate absent for three (3) or more consecutive regular Meetings of the Board may, in the discretion of the remaining members of the Board, be dismissed at the next Meeting of the Board.

6.9.3 Directors or Alternates may be removed from office with or without cause by a 2/3 vote of those Members present at a Special Meeting of the Membership called to consider said specific removal(s).

ARTICLE 7: MEETINGS OF DIRECTORS

7.1 The Board of Directors shall meet as necessary, at a time and place as the Board of Directors may determine.

7.1.1 Three (3) directors shall constitute a quorum for the transaction of business. A majority of the quorum shall be required to take or reject action. For example, if three directors attend the meeting and vote 2 to 1 for or against a proposed action, such vote shall be determinative. Similarly, if 2 directors vote for or against a proposed action, while one director abstains on voting, the vote shall also be determinative.

7.1.2 Special Meetings of the Board of Directors may be called, with notice to all Board of Directors, at the discretion of the President or upon request by two directors.

ARTICLE 8: DUTIES OF DIRECTORS AND ALTERNATES

8.1 The Directors shall:

8.1.1 Carry out the decisions of the Membership as made in the Meetings of the Membership.

8.1.2 Report fully and regularly to the Meetings of the Membership.

8.1.3 Maintain a complete record of all their minutes and acts, including minutes of General Membership Meetings.

- 8.1.4 Maintain records of the financial condition of Raineri Mutual and generally the condition of its affairs, and to present a report on said financial condition at the Annual Meeting of the Membership.
- 8.1.5 Supervise all officers, agents and employees and to see that their duties are properly performed.
- 8.1.6 Maintain the water facilities of Raineri Mutual, and to supervise the maintenance of and improvements to all Raineri Mutual property. Should this function be delegated to any person, group or corporation, no Raineri Mutual property shall be altered, improved or disposed of without prior approval of the Board of Directors.
- 8.1.7 Maintain in force such insurance as may be deemed necessary by the Board of Directors.
- 8.1.8 Collect and enforce all assessments.
- 8.1.9 Pay from Raineri Mutual funds all expenses and obligations incurred by Raineri Mutual in the conduct of its business; to discharge by payment, if necessary, any lien against the common area and to assess the cost thereof to the Members responsible for said lien.
- 8.1.10 Review all contracts and agreements that pertain to the business of Raineri Mutual.
- 8.1.11 Prepare an annual budget and email or mail to the membership with-in 90 days of the date of the Annual Meeting of the Membership.
- 8.1.12 Elect officers and fill vacancies on the Board of Directors as they occur.
- 8.1.13 Notify the Membership of a water shortage or other emergency condition.
- 8.1.14 Maintain and publish annually in the minutes of Raineri Mutual a schedule of current assessments, fees and charges, together with the dates on which they each become effective.
- 8.2 The Alternates shall assume the position of Director, as detailed in Section 6.8 of these Bylaws.

ARTICLE 9: POWERS OF DIRECTORS

- 9.1 The Directors shall have the power:
 - 9.1.1 To establish the monthly assessments, water usage rate and fees of Members. Notice of changes to current rates, assessments and fees shall be sent by mail or email to all members at least 30 days before they take effect. The Board of Directors may set monthly assessments, water usage rates, and or fees of members without a water meter at different rates than members with water meters.

- 9.1.1.1 The notice of changes in current rates, assessments and fees shall be particular and detailed as to the proposed changes.
- 9.1.2 To fix assessments for multiple dwellings and other business enterprises.
- 9.1.3 To fix and charge penalty fees for delinquent assessments.
- 9.1.3.1 To fix and charge a penalty which shall be added to the Member's account each and every month beginning thirty (30) days after the date on which an assessment, rate or fee becomes due.
- 9.1.3.2 Service may be discontinued anytime after an account has been delinquent for sixty (60) days, at the option of the Board of Directors.
- 9.1.3.3 Service shall be resumed only upon payment of all outstanding charges and assessments, including penalties, plus such costs as the Company may have incurred in collection of amounts due.
- 9.1.4 To call Special Meetings of the Membership whenever they deem it necessary.
- 9.1.5 To appoint and remove at pleasure all officers, agents and employees of Raineri Mutual, prescribe their duties, fix their compensation and require from them security for faithful service.
- 9.1.6 To employ consultants, advisors and professionals as needed to manage the affairs of Raineri Mutual.
- 9.1.7 To conduct, manage and control the affairs and business of Raineri Mutual under limitations specified in these Bylaws.
- 9.1.8 To make improvements in the water system and other facilities which the Board of Directors deems to be in the best interest of the community's water requirements.
- 9.1.9 To respond to flagrant misuse or abuse of the water service.
- 9.1.9.1 Such misuse or abuse includes but is not restricted to:
 - i. Neglect of breaks or leaks
 - ii. Installation, cleaning and refilling of swimming pools during a period of declared water shortage
 - iii. Other indiscriminate use of water, such as car washing or excessive watering during a period of declared water shortage.
- 9.1.10 To enforce the restrictions on the Membership, as listed in Article 5.
- 9.1.11 To take legal action to collect any assessments, payments, fees or other monies due, and to add to the total of the sum due the costs of taking such actions.
- 9.2 Procedures for dealing with violations of these bylaws:

- 9.2.1 Delinquent charges and assessments shall be added to regular monthly billing, and if not paid shall be treated in the same manner as any other delinquent charge or assessment.
- 9.2.2 Upon discovery of violations under Article 5 or Section 9.1, the Board of Directors shall serve the Member, in person or by first class mail, with a written notice.
 - 9.2.2.1 The notice shall state the nature of the alleged violation and shall inform the Member of the right to a hearing before the Board of Directors.
 - 9.2.2.2 The notice shall also state that, if the Board of Directors finds that the Member is guilty of a violation, the Board may, upon a vote of a majority of the Directors present, suspend water service upon such terms and conditions and for such time as the Board deems appropriate.
- 9.2.3 If an abusive condition continues after the first written notice has been served, and if it is more than ten (10) days until a regularly scheduled Board Meeting, then a Special Meeting of the Board may be called to consider immediate suspension of water service to the offending party. The offending party shall be notified to attend the Special Meeting.
- 9.2.4 Within ten (10) days after receipt of a written notice, the Member may request a hearing at the next regularly scheduled Meeting of the Board of Directors.
- 9.2.5 Upon determination that a violation has occurred, the Board of Directors may, upon a majority vote, suspend water service.
 - 9.2.5.1 The Board may, at its discretion, grant Members extensions of time to prepare for a hearing.
 - 9.2.5.1 The Board may, at its discretion, delay suspension of water service, provided that the Member agrees to take necessary action to correct the violation.
- 9.2.6 If water service is suspended as a result of a violation, the Board of Directors shall be *authorized to levy a reconnection fee before service is resumed*.
- 9.2.7 Such fees as are levied under Paragraph 9.2.6 shall be added to the regular monthly assessments, and, if not paid, shall be treated in the same manner as any delinquent assessment.
- 9.2.8 The Board has the power to bring legal suit in conjunction with the actions listed above.
- 9.3 The Directors shall not have the power:
 - 9.3.1 To amend these Bylaws.

9.3.2 To sell any real property of Raineri Mutual or to borrow money except for the emergency repair or replacement of defective equipment, unless so authorized by the majority vote of the Membership present and voting at a General Meeting or Special Meeting.

9.3.2.1 Written notification of any proposal to so sell or borrow must be sent to the Membership thirty

(30) days in advance of the meeting.

ARTICLE 10: OFFICERS

10.1 Titles and Qualifications:

10.1.1 The Officers of Raineri Mutual shall be President, Vice President, Secretary, and Treasurer.

10.1.2 The President and Vice President and Secretary shall be chosen from among the Board of Directors.

10.1.3 The Treasurer shall be chosen from among the Membership, not excluding the Board of Directors.

10.2 Appointment and Term of Office:

10.2.1 The Officers of Raineri Mutual shall be elected each year by the Board of Directors at the first Monthly Meeting after the Annual Meeting.

10.2.2 Unless an officer resigns, dies or is removed prior thereto, he or she shall hold office until his or her successor has been chosen.

10.3 Any officer may be removed at any time, by a majority vote of the Directors at a duly held Meeting of the Board.

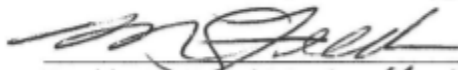
10.4 Any vacancy in an Office may be filled for the unexpired term by the Board of Directors.

ARTICLE 11: AMENDING THE BY-LAWS

These By-Laws may be repealed or amended or new By-Laws may be adopted by a vote by sixtysix percent (66%) of the eligible members voting [in person or by proxy] at any duly noticed meeting of the members sufficient to constitute a quorum.

We, the undersigned members of the board of Directors of the Raineri Mutual Water Company

have ratified these By-Laws this 6 day of JUNE, 2015.



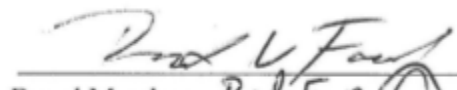
President -- Board Member Marty Fekken



Vice-President -- Board Member Ken Kiplinger



Board Member Julio Lucas



Board Member Rod Fagan



Board Member Tom Rowland