

BYLAWS
of the
WESTERN HILLS WATER DISTRICT

ARTICLE I

NAME

1.01. Name. The name of this district is and shall be the Western Hills Water District and for convenience shall be hereinafter referred to as the "District".

1.02. Qualification. The District has been formed under the laws of the State of California, Water Code, Division 13, §34000 - §38501, entitled "California Water Districts". Such formation was constituted by election on April 30, 1992, certified by the Board of Supervisors, County of Stanislaus, and recorded with the County Recorder on June 8, 1992.

ARTICLE II

OFFICES

2.01. Principal Office. The principal office for the transaction of the business of the District is hereby fixed and located at 1700 Standiford Avenue, Suite A-340 in the City of Modesto, County of Stanislaus, State of California. The Board of Directors is hereby granted full power and authority to change said principal office from one location to another in said county. Any such change shall be noted on the bylaws opposite this section, or this section may be amended to state the new location.

2.02. Other Offices. Branch or subordinate offices may at any time be established by the Board of Directors at any place or places where the Board determines appropriate.

ARTICLE III

OBJECTS AND PURPOSES

3.01. Defined. The objects and purposes of the District shall be to develop, distribute, supply and deliver water for domestic, municipal and irrigation uses and other municipal services as allowed by law and deemed advisable by the Board. The District shall be authorized to do whatever may be deemed necessary, conducive, incidental or advisable to accomplish and promote said objects or purposes, including but not limited to:

3.01.01 Constructing, leasing, maintaining and operating water system facilities and other municipal service facilities;

3.01.02 Acquiring, owning, leasing or developing water, water rights or water bearing lands;

3.01.03 Paying all taxes, utilities, charges, assessments by which to further the foregoing objects and purposes; and

3.01.04 To do any other lawful act or thing in any way connected with the foregoing or related to the objects and purposes of the District.

ARTICLE IV

OFFICERS

4.01. Officers. The officers of the District shall be a Board of five Directors, a Secretary, and an officer holding the consolidated office of Assessor, Tax Collector and Treasurer.

4.02. How Elected. The Board of Directors shall be elected by mail ballot. The Secretary of said District, and the person holding the consolidated office of Assessor, Tax Collector and Treasurer, shall be appointed by the Board of Directors.

4.03. Qualifications of Directors. No person shall be qualified to hold the office of Director unless he is a holder of title (including holders of evidence of title and also including any holder of land under a possessory right acquired by entry or purchase from the United States or the State of California however evidenced) to lands contained within the boundaries of the Western Hills Water District.

4.03.01 Representatives. The rights, privileges and immunities existing in favor of any holder of title under 4.03. above, may be exercised by and will extend to the legal representatives in all cases where said legal representative is an official of a corporation owning land within the district; provided further that such legal representative before he enters upon any office shall present the Board of Election or some clerk thereof with a certified copy of his authority which must be kept and filed with the records of the district.

4.04. Qualifications of Officers. The Board of Directors shall have full discretion in evaluating the qualifications of any Officers, including the Secretary and consolidated office of Assessor, Tax Collector and Treasurer.

4.05. Vacancies. If any office shall become vacant by forfeiture, death, resignation, or from any other cause, the same shall be filled by appointment by the Board of Directors pursuant to applicable law.

4.06. Employees. The Board of Directors shall have power to employ and fix the salary or compensation of such persons as may be necessary or proper to fully carry out the uses and purposes of the District and perform such acts, labor or services as shall be deemed by said Board of Directors to be for the best interest of said District; all of such persons so appointed or employed shall serve at the pleasure of said Board.

4.07. Compensation of Officers. The salary, or compensation, of the officers of the District shall be as follows, to wit:

4.07.01 The Directors. One Hundred Dollars each for each Directors' meeting attended, or for each day's service rendered as a Director by order of the Board of Directors together with any expenses incident to such service.

4.07.02 The Secretary. Shall receive such sum as shall be fixed by the Board of Directors by resolution.

4.07.03 Assessor, Tax Collector and Treasurer. Shall receive such sum as shall be fixed by the Board of Directors by resolution.

4.08. Adjustment to Compensation of Directors. Any adjustment to compensation of directors shall conform with limits set forth by state law, California Water Code §20202.

4.09. Term of Office. All of the elective officers of the District shall hold office for the term of four years and until his successor is elected and shall qualify, except for those elected officers, designated at the formation meeting, who receive initial 2 year terms pursuant to the Uniform District Election Law of the State of California.

4.10. Selecting President, Vice President and Secretary. At the first meeting of the Board of Directors after election, the Board of Directors shall choose from among its members a President and a Vice President, and shall appoint the Secretary of the District.

4.11. Duties and Powers of Officers. The duties and powers of the Board of Directors and officers of said District shall be those specified and set out by statute, including the determination and fixing of penalties for the violation of the bylaws, not to exceed in any one case Two Hundred Dollars (\$200.00) for any one offense.

4.12. The Duties and Powers of Employees. The duties and powers of employees of said District shall be such as are specified by the Board of Directors of said District.

ARTICLE V

MEETINGS

5.01. Regular Meetings. The Board of Directors shall hold a regular meeting on the first Tuesday of each calendar month except that when said day shall be a holiday said meeting for that month shall be held on the second Tuesday of said month.

5.02. Special Meetings. Special meetings may be called by the president, or any three members of the Board of Directors by giving notice in accordance with applicable law.

5.03. Video Teleconferencing. Meetings of the Board may be conducted by video teleconferencing for those Board members unable to be physically present at meetings at the designated location(s). Such video teleconferencing to be conducted in accordance with California Government Code Section 54953 or other applicable law.

ARTICLE VI

ELECTIONS

6.01. Place of Election. All elections of the Western Hills Water District shall be held by mail pursuant to California Water Code, the Uniform District Election Law, other applicable law, and the will of District voters as expressed at the formation election of April 30, 1992.

6.02. Time of Regular Election. There shall be held a regular election upon the first Tuesday following the first Monday in November every odd numbered calendar year for the purpose of the election of the officers of the District, and any other authorized propositions for District voter approval.

6.03. Manner of Calling Special Election. A special election for the purpose of submitting matters to be voted on by the District may be called: by (a) majority of the Board of Directors by resolution duly passed and adopted; or (b) by a written petition by the holders of title (including holders of evidence of title and including also any holder of land under a possessory right acquired by entry or purchase from the United States or the State of California however evidenced) to a majority in area of lands contained in the district signed and filed with the secretary of the District asking the Board of Directors to call an election. Upon passage of said resolution or presentation of said petition, it shall be the duty of said Board of Directors to call an election for the purpose of submitting to the voters of said District the proposition or propositions named in said resolution or petition.

6.04. Elections, How Conduct. Elections shall be conducted in accordance with all applicable laws, and in particular, the Uniform District Election Law of the State of California, including:

6.04.01 Notice to County Clerk. At the time designated by law, the Secretary of the District shall provide notice to the County Clerk of upcoming offices to be filled by election or propositions to be decided. The County Clerk will provide the requisite guidance to the Secretary of the District for carrying out the election.

6.04.02 Notice of Election. Notice of the general district election shall be published prior to the election in accordance with applicable law.

6.04.03 Declaration of Candidacy Forms. The Secretary of the District shall make Declaration of Candidacy Forms available to candidates for office during the time period prescribed by law.

6.04.04 Oath or Affirmation of Candidate. The Secretary shall administer to each candidate the oath or affirmation set forth in Section 3 of Article XX of the California Constitution.

6.04.05 Qualification of Candidates. At the close of the nomination period, the Secretary shall ascertain the qualification of each candidate in accordance with applicable law. In the event a candidate is found to be disqualified for any reason, the Secretary shall provide prompt, written notice to the candidate setting forth the basis for disqualification.

6.04.06 Preparation and Mailing of Ballots. At the close of the nomination period, the Secretary shall prepare the format of the proposed ballot for Board of Director approval, and upon such approval, shall cause said ballots to be printed in time for timely circulation. Ballots shall be mailed within the time frame established by applicable law.

6.04.07 Appointment in Absence of Contest. Appointment(s) to elective office may be made when the absence of any contest is evident at the close of the nomination period. Such appointment(s) shall be made in accordance with applicable law and notice to the County Clerk.

6.04.08 Qualifications of Voters. Each voter shall have one vote for each dollar's worth of land to which he or she holds title. The last equalized assessment book of the district is conclusive evidence of ownership and of the value of the land so owned except that in the event that an assessment for the district shall not have been made and levied for the year in which the election is held, the last equalized assessment roll Stanislaus County shall be used in lieu of the assessment book of the district. However, the board may determine by resolution that the assessment book or equalized assessment roll of Stanislaus County shall be corrected to reflect, in the case of transfers of land, those persons who as of the 45th day prior to the election appear as owners on the records of the county.

6.04.08.01 List of Qualified Voters. The Secretary shall prepare, and deliver to the County Clerk within the required time by law, a list of voters qualified under the Principal Act to vote at the upcoming election. Such list shall be prepared and posted at the District Office in accordance with applicable law.

6.04.09 Appointment of Election Board. At least ten days before any election shall take place, it shall be the duty of the Board of Directors to appoint from amongst persons qualified and entitled to vote at said election, an Election Board. This Election Board shall be composed of one Inspector and two Judges.

Before entering upon his duty as a member of such Election Board, each person so appointed as above specified shall take an oath of office. This oath may be administered by any officer entitled by law to administer oaths, or by any landowner in the District. The oath to be taken shall be as follows:

"I do solemnly swear (or affirm as the case may be) that I will support the Constitution of the United States, and the Constitution of the State of California, and that I will faithfully discharge the duties of the office of Judge or Inspector (as the case may be) upon the Board of Election for the Western Hills Water District to the best of my ability."

6.04.09.01 Chairperson and Replacements. The Inspector is chairperson of the Election Board, and if before or during the progress of the election any Judge or Clerk shall cease or refuse to act, he shall appoint his successor.

6.04.09.02 Compensation of Election Board. The Board of Directors shall pay a reasonable compensation to each member of the Election Board as set forth by resolution.

6.04.10 Time, Receipt of Ballots. Ballots cast in the mail elections of the District shall be returned to the Secretary of the District from whom they were obtained no later than 8 p.m. on election day.

6.04.11 Processing Ballots. Under the supervision of the Election Board, all ballots in a District Election shall be processed in accordance with applicable law.

6.04.12 Canvass of Votes.

6.04.12.01 Public Participation. The opening, processing, and counting of voter ballots shall be open to the public and shall follow established procedures in accordance with applicable law.

6.04.12.02 Timing and Certification. At the close of the Polls or no later than the First Thursday after an election, the Board of Election shall proceed to canvass the votes and declare the results and shall forward a certificate showing the same and the number of votes cast for and against each candidate or proposition, together with all ballots and all documents and papers used at such election to the Secretary of the Board of Directors of the District, and shall make a list of all ballots cast containing the names of each person who voted and if the ballots were cast by his proxy the person, name, and the number of votes cast and how each person voted on the matters submitted at said election. In all cases where a ballot was cast by proxy it shall be the duty of the election board to attach to such ballot the written instrument appointing such proxy. The election board shall also make its certificate showing the result of said election, and forward the name to the Clerk of the County of Stanislaus who shall forward the same to the Secretary of State of the State of California.

6.04.13 Challenges to Ballots. Challenges to voter ballots shall be considered and overruled or allowed in accordance with applicable law.

6.05. Proxies, Manner of Voting By. Any person who presents himself at the polls to vote as a proxy must exhibit and leave with the Election Board a written instrument appointing him proxy to vote for the person desiring to vote by proxy. This written instrument must be

signed by the person, who according to the last proceeding assessment book of the District, is entitled to the votes for which the proxy is given. This written instrument must be acknowledged before some person authorized to take certified acknowledgments of conveyances of real property and shall specify the election for which given and shall only be used at such election. Said proxy shall also specify the number of votes to which the person giving name is entitled to cast. Every proxy shall be revocable at the pleasures of the person executing it. All proxies presented at said election shall be filed with the election returns.

6.05.01 Representatives. The rights, privileges, and immunities existing in favor of any holder of title (including holders of evidence of title and also including any holder of land under a possessory right acquired by entry or purchase from the United States or the State of California however evidenced), to lands contained in the District may be exercised by and are extended to the legal representative in all cases where said legal representatives is an official of a corporation owning land within the District, or is a guardian, Executor, or Administrator of an estate who is appointed as such under the laws of this state and who as such is entitled to the possession of lands included within said District belonging to the estate which he represents; provided, however, that before he casts a ballot at any election of the District, he presents the Board of Election or some clerk thereof with a certified copy of his authority which must be kept and filed with the returns of the election.

6.06. Storage of Ballots. After the ballots have been canvassed as hereinbefore set forth it shall be the duty of the Board of Directors to cause said ballots, together with all the proxies filed therewith, to be placed in a secure and safe place where the same shall be allowed to remain

for a period of one year. Provided, however, that where the election was one concerning any bond issue, then in that case the said ballots shall be stored in a secure place and kept there until all of said bonds have been sold or otherwise disposed of, after which said period of times said ballots shall be disposed of.

6.07. Matters Not Specified, But Included. In all particulars not provided for herein or provided for by the California Water District Law, Statutes of 1951, Chapter 390, Section 1, Page 1190, the election shall be held pursuant to the Uniform District Election Law and the general election laws of the state.

ARTICLE VII

AMENDMENTS

7.01. Amendment or Repeal of Bylaws. The bylaws of the Western Hills Water District may be repealed or amended, or new bylaws adopted, by the assent of 2/3 of the total vote of the District given either in writing or by ballot cast at a District election. The bylaws may also be amended by a four-fifths vote of the Directors and approval of the Board of Supervisors of the County of Stanislaus.

7.02. Recordation of Amendment or Repeal. Any repeal of said bylaws or amendment thereto, together with the written assent thereto, or memorandum of the returns of the election at which the assent was given, shall be certified by a majority of the directors and the secretary and filed for record with the County Recorder of the County of Stanislaus.

ARTICLE VIII

NOTICE

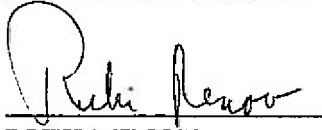
8.01. Manner of Giving Notice. Wherever in the bylaws of the Western Hills Water District written notice is required to be given, the same shall be given in accordance with applicable laws of the State of California.

ARTICLE IX

ASSENT

9.01. Holders of Title. The undersigned holders of title to a majority in area of the land within the Western Hills Water District hereby assent to and adopt the within and foregoing bylaws for the government and control of the affairs of the Western Hills Water District.


RIVKI ROSENWALD


RUKI RENOV


ESTHER STAHLER

DANIEL PANOZ

DIABLO GRANDE LIMITED PARTNERSHIP,
a California Limited Partnership, by
DIABLO GRANDE, INC., a California
Corporation, its General Partners:

RUSSELL A. NEWMAN, Assistant
Secretary to Diablo Grande, Inc.

RIVKI ROSENWALD



RUKI RENOV

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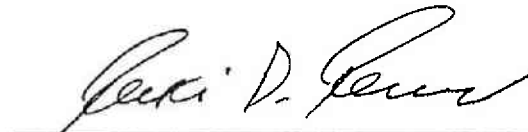
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Secretary to Diablo Grande, Inc.

C-E-R-T-I-F-I-C-A-T-E

We, the undersigned Ruki Renov, President and Director; Daniel Panoz, Vice-President and Director; and Russell A. Newman, Director, constituting a majority of the Directors, and David O. Romano, Assistant Secretary of Western Hills Water District, do hereby certify that the foregoing documents include: (1) a full, true and complete copy of the Bylaws of the Western Hills Water District in their original form adopted and assented to by written assent of the holders of title to more than a majority in area of the land within said Western Hills Water District; and (2) the approval of the Stanislaus County Board of Supervisors of the Bylaws of the Western Hills Water District.

WITNESS our hands this 9th day of September, 1992.

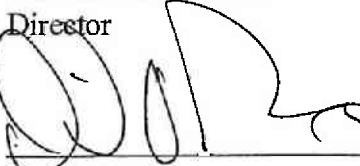


Ruki Renov
President and Director

Daniel Panoz
Vice President and Director



Russell A. Newman
Director



David O. Romano
Assistant Secretary