

BYLAWS
OF
CEDAR RIDGE DISTRIBUTION COMPANY

1.10 POWERS OF SHAREHOLDERS TO AMEND:

The powers to adopt, amend, repeal, substitute or otherwise alter these bylaws of the corporation shall be exclusively retained by the shareholders of Class C stock in the corporation,

1.20 MEMBERS' POWER TO AMEND:

These bylaws may be amended, repealed, substituted or otherwise altered, in whole or in part, only by a majority vote of the members holding stock with voting rights, at any regular meeting, or any special meeting where such action has been announced in the call and notice of said meeting.

1.30 MEMBERS' RESERVED POWERS:

All powers of the corporation shall be retained by the member shareholders except for those powers explicitly delegated and assigned to the Governing Board of the corporation by these bylaws.

1.40 NOTICE OF AMENDMENTS:

Copies of proposed amendments to these bylaws shall be circulated by the secretary of the corporation to each member holding stock with voting rights.

1.50 CERTIFICATE OF STOCK-ISSUANCE:

Certificates of stock shall be issued in numerical order for each class of stock authorized by the Articles of Incorporation from the stock certificate book.

1.60 CERTIFICATE OF STOCK - RECORDS:

A record of each certificate issued shall be kept on the stub thereof. In addition, the name of the owner of each certificate shall be entered in the official books of the corporation.

1.70 CERTIFICATES OF STOCK - VALIDITY:

No certificate of stock shall be considered valid unless the certificate has 1) the corporate seal, 2) a number of issuance, 3) the required signatures, and 4) the name of the original owner to whom the stock was issued corresponding to that name as entered in the books and stub of the certificate.

1.80 ANNUAL BUDGET - APPROVAL:

- a) The Governing Board will prepare and submit to the member shareholders a budget for all expenditures of the corporation at least annually for shareholder approval.
- b) The budget and any amendments thereto must be approved by a majority of the voting shareholders.

1.81 ANNUAL BUDGET - EXPENDITURE LIMITATION:

All expenditures of the corporation must be first approved as a specified part of an annual budget.

1.82 ANNUAL BUDGET - AMENDMENTS:

The Governing Board may prepare and submit amendments to the annual budget at any time to the member shareholders for their approval.

2.10 GOVERNING BOARD - GENERAL POWERS:

The Governing Board of the corporation is hereby granted and delegated the administrative powers to manage, maintain and operate the water system owned by the corporation.

2.11 GOVERNING BOARD - SPECIFIC LIMITATIONS ON GENERAL POWERS:

The above-mentioned general powers do not in any way include the power to:

- a) Purchase, transfer, trade or otherwise convey any shares of stock issued by the corporation;

- b) Purchase, lease, or otherwise acquire any ownership rights in any personal or real property beyond that authorized by the annual or amended budget approved by the majority of member shareholders as specified above;
- c) Remove or appoint any members to the Governing Board;
- d) Enter into any contractual arrangement for any personal or real property except that specifically authorized in an approved annual or amended budget.

2.12 GOVERNING BOARD - EMERGENCY POWERS:

The above-mentioned general powers do include emergency powers to contract for necessary repairs and services on a temporary basis. The exercise of this power is to be restricted to only those instances where a real and evident threat to health or safety exists and where circumstances do make the convening of the member shareholders impossible.

2.13 GOVERNING BOARD - EMERGENCY CONSERVATION POWER:

If it is determined by the Governing Board that the supply of water to the system will be inadequate to fulfill the anticipated demand for that supply, the Board may, by resolution, impose any conservation measures it deems necessary.

2.20 GOVERNING BOARD - ASSESSMENT OF FEES:

The Governing Board shall prepare and submit as a part of the annual budget or amended budget a schedule of assessments and/or fees to be assessed against each shareholder. These assessments and fees may include the costs of operation, maintenance and administration of the water system owned by the corporation.

2.21 GOVERNING BOARD - SPECIAL DEVELOPMENT ASSESSMENT:

The Governing Board may prepare and submit as a part of the annual budget or amended budget a schedule of assessments and/or fees to be assessed against only shareholders of Class B stock to cover the costs to the corporation for future development planning.