

**BYLAWS  
FOR THE REGULATION OF  
ARROWHEAD VILLAS MUTUAL SERVICE COMPANY  
A CALIFORNIA CORPORATION  
LOCATED AT SKY FOREST, CALIFORNIA  
Revised May 2006**

**ARTICLE I**

**PURPOSES**

**Section 1. Arrowhead Villas Mutual Service Company is and shall be operated for the benefit and protection of its shareholders under corporate laws of the State of California, and no part of the profits or earnings shall ever inure to the benefit of any individual shareholder or property owner.**

**ARTICLE II**

**SHAREHOLDERS**

**Section 1. Any property owner of record of either improved or unimproved property in the area known as "Arrowhead Villas" and as defined in the Articles of Incorporation, may become a shareholder in Arrowhead Villas Mutual Service Company by purchasing one or more shares of company stock. One share is required for each single family structure and additional shares are required for services to multiple family or commercial structures. A commercial structure is defined as a structure where business is being transacted on recurring basis, with or without zoning designation, whether licensed or unlicensed.**

**Section 2. The purchase price per share shall be determined by action of the Board of Directors with approval of the Department of Corporations, State of California.**

**Section 3. A share shall be issued upon payment of the established purchase price and attached to a specific lot in Arrowhead Villas. Shares attached to a vacant lot may be transferred to another lot on payment of a transfer fee of ten percent (10%) of the established purchase price. Shares on developed property cannot be transferred to any other parcel under any circumstances.**

**Section 4. Whenever any lot to which a share is attached shall be conveyed or transferred to a new owner of record, voluntary or involuntarily, the share of stock so attached to said lot shall be cancelled on the books of the company, regardless of its surrender, and a new share shall be issued in the name of the then owner of record. The fee for such transfers shall be determined by action of the Board of Directors.**

**Section 5. Arrowhead Villas Mutual Service Company shall not be concerned or bound by any financial arrangements, indebtedness, liens or pledges that may be an obligation of the shareholder and the Company shall issue shares only to the owner(s) of record as recorded in the San Bernardino County Tax Records.**

**Section 6. Upon request during regular office hours, shareholders may inspect and make copies of company records. The Board of Directors shall establish reasonable fees to cover the expense of making copies on company equipment.**

### **ARTICLE III**

#### **BOARD OF DIRECTORS**

**Section 1. The government of the Company shall be vested in five of the shareholders to be known as the Board of Directors. This Board shall be elected as set forth in Article VI of these bylaws.**

**Section 2. The Board of Directors shall transact all business of the Company and shall make rules for their own government in accordance with the other provisions and articles of these bylaws.**

**Section 3. Unless approved by a vote of shareholders, the Board of Directors shall not institute a loan or incur any indebtedness during a fiscal year, in the name of the company, exceeding 40% of the total income of the next preceding calendar year, excluding monies received from the sale of shares. Any such indebtedness shall be non-accruable.**

**Section 4. The Board of Directors shall hold regular monthly meetings, the times and place to be determined by the Board.**

**Section 5. The quorum for transaction of any Company business shall consist of not less than three (3) directors.**

**Section 6. In the instance of a vacancy in one or two positions on the Board of Directors, the remaining directors shall appoint successors to hold office until the next annual election. At the next annual election the shareholders shall elect directors to serve out the remaining terms of any vacant directors positions. Should there be three or more vacancies, a special election shall be held.**

**Section 7. Nonattendance of a member of the Board of Directors for three consecutive regular meetings without good and sufficient reason shall be equivalent to resignation as a director.**

**Section 8. It shall be a conflict of interest for any member of the Board of Directors to also be a regular paid employee of the Company. Any paid employment of a Board of Directors member shall meet three tests.:**

- (1) Such employment must be of a very limited scope and duration.**
- (2) It must be an emergency situation.**
- (3) It would be impractical to use or employ another person to perform the service during this situation.**

**The Board of Directors must certify by majority vote that the director so employed meets all three tests above, or the director will be deemed to have volunteered to serve without pay, and no wages shall be paid.**

**Section 9. No Board of Directors member shall buy, sell, lease, or rent equipment or property to the Company without an approval vote by the shareholders.**

#### **ARTICLE IV**

##### **OFFICERS**

**Section 1. The officers of the Company shall be a President, a 1st Vice-President, a 2nd Vice-President, a Secretary, and a Treasurer. They shall be elected by the Board of Directors at the organizational meeting of the Board within 15 days following the Annual Meeting of the shareholders. No director may serve in more than one office.**

**Section 3. There shall be no salaried officers. Reasonable and necessary expenses incurred by the directors in the service of the Company shall be reimbursed. Directors will receive an allowance in the amount of one active water share assessment toward their annual assessment bill during each year of their term in recognition of their service to the shareholders.**

**Section 3. All agents and employees of the Company shall be subject to removal by the Board of Directors.**

#### **ARTICLE V**

##### **ANNUAL AND SPECIAL SHAREHOLDER MEETINGS**

**Section 1. Arrowhead Villas Mutual Service Company shall hold an annual meeting of the shareholders in the Month of May at a time and place determined by the Board of Directors.**

**Section 2. Notice of the Annual Meeting shall be sent by first class United States Mail to all shareholders at their last known mailing address at least 30 days prior to the date of the meeting.**

**Section 3. The purpose of the Annual Meeting is to elect one or more directors and to consider any other Company business that may be properly introduced.**

**Section 4. The President shall preside at the Annual Meeting or Special Shareholder Meetings. In the absence of the President the 1st Vice-President shall preside.**

**Section 5. The presence in person or by proxy of the holders of twenty percent of the valid shares entitled to vote shall constitute a quorum for the transaction of business and the election of directors.**

**Section 6. A comprehensive report of the condition of the Company including a printed financial report audited by a Certified Public Accountant, of the next previous fiscal year shall be presented by the Board of Directors at the Annual Meeting.**

Section 7. For the accommodation of Shareholders unable to attend the Annual Meeting or Special Shareholder Meetings in person, a proxy form and ballot shall be mailed to all shareholders.

**P R O X Y**

I (we) hereby appoint \_\_\_\_\_ as my designated proxy, or in the absence of my designated proxy, the present Secretary of the Board of Directors of the ARROWHEAD VILLAS MUTUAL SERVICE COMPANY to attend the annual meeting or any adjournment of such meeting to represent and vote at said meeting all shares that I (we) would be entitled to vote if personally present, upon all questions, except the Election of Directors or questions where I have indicated my voting choices, or my desire to withhold my vote, in writing or by ballot accompanying this proxy. At such election I direct and instruct the Secretary to vote my shares for Directors or questions in accordance with the ballot or writing which I have marked or returned in accord with my personal instructions given to my designated proxy.

DATE \_\_\_\_\_ Signed \_\_\_\_\_

Printed First Name \_\_\_\_\_ Printed Last Name \_\_\_\_\_

Lot Number \_\_\_\_\_

Arrowhead Villas Street Address \_\_\_\_\_

(Lot number or Arrowhead Villas street address will aid identification)

Section 8. A Special Shareholders Meeting can be called by the President of the Board of Directors, the Secretary of the Board of Directors, or by a petition signed by ten percent (10%) of the number of shareholders entitled to vote at the last previous Annual Meeting, requesting that such meeting be held. The Special Shareholders Meeting will be held not less than 30 days nor more than 60 days after the call for the meeting is made. The business of the Special meeting will be the business specified in the petition and will include time for review, discussion, and voting. Proxies shall be provided for all voting at Special Shareholders Meetings if voting is called for in the petition.

Section 9. Robert's Rules of Order shall apply to the conduct of all Annual or Special Meetings. A shareholder who will serve as a parliamentarian and who is familiar with Robert's Rules shall be appointed prior to each shareholder meeting by the Board of Directors.

Section 10. A report and update shall be made at the Annual Meeting by the Board of Directors on the status of the adopted budget for the current calendar year.

**ARTICLE VI**

**VOTING AND ELECTIONS**

Section 1. Prior to the Annual Meeting, or prior to any Special Shareholders Meeting, the Board of Directors shall appoint an Election Committee of not less than three shareholders, conduct any balloting on any issues voted upon, tabulate the votes and announce the results before the

**adjournment of the Annual Meeting. The committee shall serve until the results of any issues voted upon have been certified. All meetings, deliberations, discussions, and vote counting of the elections committee will be considered public meetings and open to shareholders for observation. Shareholders may not speak or otherwise distract the election committee from its business.**

**Section 2. The Election Committee shall be furnished with an up-to-date roll of all shareholders in determining the validity of the nominations and ballots received. The disposition of ineligible nominations, incorrectly completed ballots, challenged ballots shall be resolved by a majority vote of the Election Committee. It is the intent of this section that all ballots which can reasonably be attributed to a bona fide shareholder shall be counted. All ballots will be preserved for one calendar year and are open to inspection of shareholders.**

**Section 3. Each shareholder, if a shareholder of record 30 days or more prior to the Annual Meeting, shall have one vote for each valid share and consequently may cast one vote for each office to be filled or question to be decided. Additional shares may be voted in the same manner. Co-owners of a single share are entitled to one vote, collectively.**

**Section 4. Ballots in an approved form shall be prepared and mailed to all shareholders, together with a return envelope addressed to the Election Committee, Arrowhead Villas Mutual Service Company. The Election Committee shall obtain a separate post office box for the exclusive use of election business, proxies, and ballots, and the return envelope mailed to shareholders shall be addressed to this post office box.**

**Section 5. Completed ballots may be returned by mail or presented to the Election Committee in person at the Annual or Special Meeting.**

**Section 6. Nominations for the office of Director(s) may be filed by sending the name and qualifications of the nominee to the Arrowhead Villas Mutual Service Company Office. The nominations must be received no later than March 15 preceding the Annual Meeting in order that the names of the nominees received by that date may be mailed with the official ballot to all shareholders.**

**Section 7. Nothing herein contained shall prevent a shareholder from writing in on the ballot the name or names for whom they desire to cast a vote for the office of director.**

**Section 8. Beginning in 1989, each director elected or re-elected will serve a three year term of office. If a vacancy of office occurs prior to the end of a director's normal term, the new directors is appointed and/or elected to finish the term of the vacant office.**

## ARTICLE VII

### SERVICES

**Section 1.** It is the responsibility of the Company to provide adequate laboratory tested water for the personal use of the shareholders.

**Section 2.** It shall be the responsibility of the Company to maintain a reserve supply of water to be used for the protection of the homes and properties of the shareholders from destruction by fire.

**Section 3.** Sources of water in the area are always limited; accordingly excessive and extravagant uses of water supplied by Arrowhead Villas Mutual Service Company, such as washing down pavement or outdoor swimming pools, are prohibited. Violations will subject the shareholder to severe penalties to be assessed by the Board of Directors.

**Section 4.** Because of subfreezing winter temperatures, the Company requires that shareholders "winterize" their individual water systems. Pipes broken from freezing can cause enormous losses of water and damage to property. Shareholders failing to conform to this requirement will be billed for any losses suffered by the Company caused by negligence of the shareholder. Repeated violations of Sections 3 and 4 of this Article will result in the termination of water service to the offending shareholder.

**Section 5.** The Company is responsible for paving, road maintenance and snow removal and will perform such services in a regular, planned, and ongoing manner.

**Section 6.** The Company will endeavor a once-a-week trash pickup service, weather permitting. Ashes, pine needles, old lumber and building materials will not be picked up. Because of prowling animals, trash should be in garbage cans with tight fitting lids.

**Section 7.** All roads must be kept open for ambulances, fire trucks and snow plows. Any car parked or other object(s) placed in the roadway which could restrict emergency vehicle access may be towed away or removed and impounded at owner's cost. The maximum speed limit on all Arrowhead Villas roads shall be 15 miles per hour.

**Section 8.** It is the intention of these bylaws that all costs of operating Arrowhead Villas Mutual Service Company be equitably allocated to all shareholders and therefore penalty charges are assessed to those responsible for extra Company expenses such as enforcement of rules and regulations, damage to Company property, overuse of water, nonpayment of assessments, and similar problems. Annual or special charges or assessments or penalty charges to the shareholders for the operation of the Company shall be set by a majority vote of the Board of Directors.

**Section 9.** The Directors shall set appropriate rates for services for all commercial use and multiple dwelling uses and shall determine the number of additional shares to be purchased for this type of water service.

**Section 10. Annual assessments shall be due and payable at the Company office at dates as set by the Board of Directors. If more than one assessment is declared due within a calendar year, or if penalty fines are assessed, the additional amount shall be due and payable as determined by the Board of Directors. If unpaid 30 days after due, the past due balance, including any previous charges or fines, shall be subject to a late charge determined by the Board of Directors. Water service to the property may be disconnected if any amounts are more than 35 days past due.**

**If any past-due assessments, fines, or charges remain unpaid for 12 months following the due date, the share(s) shall be forfeited to the Company, and a new share must be purchased at the then current share price by the last previous owner of record prior to water service being restored.**

**Section 11. The Board of Directors will review and decide cases where a payment amount is in dispute, or where additional time is requested for payment because of extraordinary circumstances. Shareholders may appeal such charges or special cases to the Board of Directors, whose decision will be final.**

**Section 12. Prior to adopting the annual assessment, the Board of Directors shall adopt a budget for the next calendar year. This budget will be used as the basis for determination of the annual assessment amount. A balanced budget shall be adopted with budgeted total equal to anticipated income.**

## **ARTICLE VIII**

### **BOARD OF DIRECTORS' MEETINGS**

**Section 1. The Board of Directors shall hold regular meetings each month at a date, time, and place as defined in Board policy and shall conduct the meetings as defined in these bylaws. It is the intent of these bylaws that all meetings, except closed sessions for specific items of business as defined hereafter, are public to the shareholders and available for their attendance.**

**Section 2. The meetings of the Board of Directors need not be open to non-shareholders as the Company is not a public entity. The Board of Directors shall rule on a case by case basis regarding the exclusion of non-shareholders from meetings.**

**Section 3. Any shareholder shall have the right to record the proceedings of a meeting on tape, except closed sessions.**

**Section 4. A special meeting may be called by the presiding officer, or by a majority of the Board, by notifying in person, by phone, or by mail all members of the Board of Directors, and any shareholder on the meeting notification request list. Such notice shall be made at least 24 hours in advance of the meeting time. Such notification shall include an agenda of the proposed business of the meeting.**

**Section 5. No actions may be taken unless they appear on the notification agenda when an amount of money in excess of \$2500 is involved or as defined in section 6 below. Any actions taken, or**

actions involving less than this amount which were not included on the notification agenda, must be included in the agenda and confirmed at the next regular Board of Directors meeting to be valid.

Section 6. The requirement for notification of meetings or limiting action to agenda items may be waived if the majority of the Board votes that an emergency exists which threatens the Company or its ability to deliver required services and the circumstances arose less than 72 hours before the meeting. Notification in this case need only be attempted by telephone to all Directors and persons on the notification list.

Section 7. Executive session meetings closed to the shareholders may be held to consider personnel matters, litigation pending or proposed, or negotiations about the purchase, sale, trade, or lease of any property or asset. Minutes for these closed meetings need not be maintained. However, any act taken at an Executive closed session must be reported on and confirmed as a regular agenda item at the next regular open meeting. In the case of employee personnel matters however, the employee involved may request in writing an open meeting to present witnesses, testimony, and facts and such request will be granted.

Section 8. The Board of Directors shall adopt by policy a standard format for the agenda which, at a minimum, includes:

- (a) The meeting time and place.
- (b) A brief general description of each action proposed to be taken or item of business to be transacted.
- (c) An opportunity for the shareholders to address the Board on any item within the jurisdiction of the Company.

Section 9. The Board of Directors shall honor any shareholder written request to receive personal notification of all meetings and agendas, and the minutes of such meetings. Such requests shall be valid for the calendar year and shall include a deposit together with an agreement to reimburse the Company for copying and mailing costs as adopted by the Board of Directors for that year. Any amounts unused from the deposit will be refunded at the end of the year.

## ARTICLE IX

### AMENDMENTS

Section 1. These Bylaws may be amended at any Annual or Special Meeting of the Shareholders, a quorum being present either in person or by proxy; by a two-thirds majority of the votes cast, providing the text of the proposed amendment(s) shall have been appended to the notice of the Annual or Special Meeting.



**Section 2. In the event any of the Articles or Sections of these bylaws are declared by a court of law to be invalid or unenforceable, the Article(s) or Section(s) so declared will be considered to be removed from the bylaws, with all other parts of these bylaws remaining in effect.**

## **ARTICLE X**

### **COMMON GROUNDS, ROADWAYS AND THE ENVIRONMENT**

**Section 1. All roads in Arrowhead Villas (except Arrowhead Villas Road) are private roads dedicated to but not maintained by San Bernardino County. The Company will maintain the roads for the exclusive use of the shareholders. Parking within the dedicated roadway is prohibited. Operation of motorized vehicles is limited to those vehicles with valid highway or off-highway state vehicle registrations. Motorized vehicles must have a driver with a valid driver's license on his person when operating the vehicle. The Board of Directors will establish a penalty fine for repeat violations to be imposed after a warning notice is given to the shareholder.**

**Section 2. Shareholders will be held responsible for any violations of Company regulations by renters, guests, family members or others who are permitted to use the premises of the shareholder. Any penalty fine shall be levied against the shareholder.**

**Section 3. The Board of Directors shall make reasonable rules to govern the use of the private dedicated roadways maintained by the Company for the common benefit of all shareholders. Penalty fines for violation of these rules or the bylaws shall be established by a majority vote of the Board of Directors. No penalty fine shall be assessed by the Board without first notifying the shareholder of the violation and, if requested, providing a hearing before the Board about any special circumstances. The decision by majority vote of the Board shall be final.**

**Section 4. Whenever plans are made to work within the dedicated roadway which involve cutting back of banks, removal of trees, or similar activities, all property owners whose property is adjacent to the planned work must be notified at least 30 days in advance of the work being performed. Shareholders may appeal any such work plans to the Board of Directors who will, after a hearing, review the plans. A Board of Directors vote with four or more Directors voting in favor of proceeding with the planned work is required or the work plan will be abandoned.**