

This booklet contains the original Bylaws of the Palo Alto Park Mutual Water Company as amended through December 31, 2007.

BYLAWS

of

Palo Alto Park Mutual Water Company

The name of the Corporation shall be PALO ALTO PARK MUTUAL WATER COMPANY.

ARTICLE I.

CORPORATE POWERS.

The corporate powers of this Corporation shall be vested in a Board of five Directors, who shall be Stockholders, holding one or more shares of stock in their own names on the books of the Corporation, and three shall constitute a quorum for the transaction of business.

ARTICLE II.

ELECTION OF DIRECTORS.

The Directors shall be elected by ballot, at the Annual Meeting of the Stockholders, to serve for three years, and until their successors are elected. Their term of office shall begin immediately after election.

(Passed by Stockholders at 1986 Annual Meeting).

ARTICLE III.

VACANCIES.

In the event a vacancy occurs by death, resignation, or inability to serve as a Director, such vacancy may be filled by vote of the remaining Directors until the next Annual Stockholder's Meeting at which time the Stockholders shall elect a Director to fill out the balance of the three-year term.

(Passed by Stockholders at 1986 Annual Meeting).

ARTICLE IV.

POWER OF DIRECTORS.

The Directors shall have power:

1st: To call special meetings of the Stockholders when they deem it necessary. And they shall call a meeting at any time upon written request of Stockholders holding one-third of all the capital stock.

2nd: To appoint and remove, at pleasure, all officers, agents and employees of the Corporation, prescribe their duties, and fix their compensation.

3rd: To conduct, manage and control the affairs and business of the Corporation, and to make rules and regulations, not inconsistent with the laws of the State of California, or the Bylaws of the Corporation, for the guidance of the officers and management of the affairs of the Corporation.

4th: To incur indebtedness. The terms and amount of such indebtedness shall be entered on the minutes of the Board, and the note or obligation given for the same, signed officially by the President and Secretary, shall be binding on the Corporation.

ARTICLE V.

GENERAL DUTIES OF DIRECTORS.

It shall be the duty of the Directors:

1st: To cause to be kept a complete record of all their minutes and acts, and of the proceedings of the Stockholders, and present a full statement at the regular Annual Meeting of the Stockholders, showing in detail the assets and liabilities of the Corporation, and generally the condition of its affairs. A similar statement shall be presented at any other meeting of the Stockholders, when thereto required by persons holding at least one-half of the capital stock of the Corporation;

2nd: To supervise all officers, agents and employees, and to see that their duties are properly performed;

3rd: To cause to be issued to the Stockholders shares of stock on the basis of one share, and no more, for each unit of land, owned by such Stockholder, such issuance of stock to be subject to the terms, conditions and restrictions hereinafter contained.

ARTICLE VI.

OFFICERS.

The officers shall be a President, Vice President, Secretary, and Treasurer. Only members of the Board of Directors shall be eligible for the offices of President or Vice President, but any person may be appointed Secretary or Treasurer by the Board of Directors. The Board of Directors may, at their discretion, appoint the same person to be Secretary and Treasurer. The compensation and tenure of the officers shall be determined by the Board of Directors.

The Directors shall receive no compensation for serving on the Board of Directors (except for the free use of residential water at one address and fifty dollars [\$50.00] per meeting attended) unless a Director also holds the position of General Manager for the Water Company. The elimination of Superintendent as an officer of the Company automatically deletes ARTICLE X, Duties of the Superintendent.

(Passed by Stockholders by proxy, counted by Board of Directors at regular monthly meeting for May, 1985). Passed by the Board of Directors on July 17, 1998 and ratified by the Shareholders at the Annual Shareholder Meeting held on November 10, 2001.

ARTICLE VII.

PRESIDENT.

The Board of Directors shall, at their first regular meeting, elect one of their number to act as President; and if, at any time, the President shall be unable to act, the Vice President shall take his place and perform his duties; and if the Vice President, from any cause, shall be unable to act, they shall appoint some other member of the Board to do so, in whom shall be vested, for the time being, all the duties and functions of the office of President. The President, or in his absence, the Director appointed as above provided.

1st: Shall preside over all meetings of the Stockholders and Directors and shall have the casting vote;

2nd: He shall sign, as President, all certificates of stock and all contracts and other instruments in writing which have been first approved by the Board of Directors, and shall draw checks upon the Treasurer;

3rd: He shall call the Directors together whenever he deems it necessary, and shall have, subject to the advice of the Directors, direction of the affairs of the Corporation, and generally shall discharge such other duties as may be required of him by the Bylaws of the Corporation.

The President, or two of the Directors, may call a special meeting of the Directors at any time, and notice shall be given of such called meetings by leaving a written or printed notice at the last known place of business or of residence of each Director. Such service of notice shall be entered on the minutes of the Corporation; and the said minutes, upon being read and approved at a subsequent meeting of the Board, shall be conclusive upon the question of service.

ARTICLE VIII.

SECRETARY.

1st: It shall be the duty of the Secretary to keep a record of the proceedings of the Board of Directors and of the Stockholders;

2nd: He shall keep the corporate seal of the Corporation and the book of blank certificates of stock, fill up and countersign all certificates issued, and make the corresponding entries in the margin of such book on such issuance; and he shall affix said corporate seal to all papers requiring a seal;

3rd: He shall keep a proper Transfer Book, and a Stock Ledger in debit and credit form; showing the number of shares issued to and transferred by any Stockholder, and the dates of such issuances and transfer;

4th: He shall countersign all checks drawn on the Treasurer, and discharge such other duties as pertain to his office and as are prescribed by the Board of Directors;

(Passed by Stockholders at 1987 Annual Meeting).

5th: The Secretary shall serve all notices required either by law or by the Bylaws of the Company; and in case of his absence, inability, refusal or neglect so to do, then such notices may be served by any person thereunto directed by the President or Vice President of the Company.

ARTICLE IX.

TREASURER.

The Treasurer shall receive all funds of the Corporation and pay them out only on the check of the Treasurer, countersigned by the Secretary or by the President. The Treasurer shall also keep proper Account Books of the transactions of the Corporation.

(Passed by Stockholders at 1987 Annual Meeting).

ARTICLE X.

DUTIES OF THE SUPERINTENDENT.

(Deleted by the change in the Bylaws eliminating the Superintendent as an officer of the Company. Passed by the Stockholders by proxy, counted by Board of Directors at regular monthly meeting for May, 1985).

ARTICLE XI.

BOOKS AND PAPERS.

The books and such papers as may be placed on file by vote of the Stockholders or Directors shall, at all times, be subject to the inspection of the Board or Directors and of any Stockholder.

ARTICLE XII.

CERTIFICATES OF STOCK.

Each Stockholder of said Corporation shall be entitled to one share for each two thousand five hundred (2,500) square feet of real property owned within the water district's boundaries, and to a fractional share for any fractional part of said area owned by the Stockholder.

(Passed by Stockholders at 1987 Annual Meeting).

Certificates of stock shall be of such form and device as the Board of Directors may direct, and each certificate shall be signed by the President and countersigned by the Secretary, and shall express on its face, its number, date of issuance, the number of shares for which, and the person to whom it is issued.

Each share of stock, and all rights and interests represented thereby or existing, or accrued by reason thereof, or incident thereto, are to be inseparably appurtenant to the lands of the owner of such certificate; and each certificate shall also contain a description of the lands to which water is to be supplied, and to which the shares shall be perpetually appurtenant; provided, however, that such shares of stock shall be subject to assessment and sale independent of the land to which such shares are appurtenant, under the provision of Article II, title I, part IV of the Civil Code of the State of California; and provided further that this Corporation shall be the only person entitled to purchase at any sale of such stock.

Every transfer of the title to said lands to which the said rights and shares are appurtenant, whether by grant or operation of law (except where the land may be subjected by grant or involuntarily under any law, to an easement, the exercise of which does not interfere with the cultivation of the soil and the use of the lands for domestic purposes by the servient owner) shall operate, whether it be so expressed therein or not, as a transfer to the grantee or successor in title to all rights arising from or incident to the ownership of such shares as well as the shares themselves, and upon presentation to this association of proof of any such transfer of land, the proper officer shall transfer such shares of stock upon its books to the successor in title to said lands.

Any transfer or attempted transfer of any of the shares of this Corporation made or suffered by the owner thereof, unless simultaneously a transfer of the land to which they are appurtenant is made or suffered to or in favor of the same party, shall be of no force or effect for any purpose, and shall confer no rights of any kind whatsoever on the person or persons to whom such transfer may have been attempted to be made.

The ownership of each share of stock of this Corporation shall carry, as incident thereto, a right to have water delivered to such Shareholder by the Corporation for the irrigation of the lands to which such share is appurtenant.

The amount of water to be delivered to such owner shall be that proportionate part of all the water available for distribution by the association as the number of shares owned by him shall bear to the whole number of valid and subsisting shares then outstanding, such water to be delivered to said lands at all times that the Company may have water available in the proportion above set forth, provided always that the beneficial use shall be the limit of the right to the use of such water.

Further rules regarding the transfer of stock may be found under ARTICLE IV.

(Passed by Stockholders at 1987 Annual Meeting).

ARTICLE XIII.

COST OF DELIVERY OF WATER.

All water shall be delivered solely to the Stockholders of this Corporation at cost, and this Company is and shall be a private corporation, and not a public utility.

The Board of Directors shall establish the cost of the delivery of water to the Stockholders in a fair and equal manner in the form of a monthly assessment, which shall include the cost of operation, repair, replacement, improvement, enlargement, or extension of the works controlled by the Corporation or for the construction and control of new facilities to maintain service within the present water district. A bill for the monthly assessment shall be mailed to each property on the last day of each month to cover the cost of water delivery to each Stockholder for that month.

Any service on which the monthly assessment has not been paid in full for a period of two months is subject to discontinuance. When service has been discontinued for nonpayment of any bill, a service charge must be paid before service will be restored, and a new deposit may be required.

When service has been shut off and there is evidence of tampering with the pipes, valves, or locks have been damaged, a substantial additional tampering-charge will be required to be paid before service will be restored, and the costs of any repairs or damages caused by the tampering will be paid.

Persons establishing a new account shall be required to pay a deposit which shall be at least equal to the cost of three months cost of delivery of water. This deposit shall be held by the Corporation and is refundable upon termination of water service, less any outstanding balance on the account.

Stockholders developing or subdividing land within the water district and wishing to make a new connection to the system shall write the Board one hundred (100) days in advance. The Board shall make a determination of the impact of the new connection to the Stockholders already in service. If the Board approves the connection, the Stockholder shall be required to pay a new connection charge, which does not include labor or materials required to make the connection. The new service connection charge shall be paid in full before the connection will be made. A deposit shall also be required, once a new service connection is made, to open a water service account. If the Board denies a Stockholder a new connection to the system, he can appeal the decision, and the Board may quote the cost of mitigating the impact of allowing the new connection.

Special assessments, separate from the monthly assessments, may have to be made periodically for the operation, repair, renewal,

replacement, improvement, enlargement, or extension of the works owned, controlled, or to be maintained by the Corporation, or for the construction and control of new facilities required to maintain service within the present water district.

Thirty (30) days before any assessment is put into effect, the Board of Directors shall notify the Stockholders by mail. If the Stockholders deem it necessary, they shall have the right to request a meeting with the Board before any assessment is put into effect. A request for a meeting shall be made in writing within twenty (20) days of the date the assessment notice was mailed; and the request addressed to the Secretary.

(Passed by Stockholders by proxy, counted by Board of Directors at 1987 Annual Meeting, and finally approved by Directors at regular monthly meeting for September, 1988).

The Board of Directors shall have the power to turn off all water from the lands of any owner who refuses to pay the assessment within fifteen (15) days following the due date of the assessment. It is further provided that water so turned off shall not be supplied until such owner shall have paid any assessments due and delinquent. The Board of Directors shall have the power to shut off all water from those properties whose owners have not paid the water bills for the property within ninety (90) days after being billed. It is further provided that this Corporation shall have the right to maintain an action at law for unpaid water bills and/or unpaid assessments. Such right of action shall be in addition to the remedy provided above.

A late fee of ten dollars (\$10.00) or 1.5 percent of billed charges, whichever is greater, will be added to all unpaid balances each month. Interest on unpaid balances accrues at 1.5 percent per month or as required by law. Interest will be charged on all unpaid water bills and/or unpaid assessments which are delinquent more than thirty (30) days.

(Passed by Stockholders by proxy, counted by Board of Directors at regular monthly meeting for May, 1985). Passed by the Board of Directors on April 12, 2001 and ratified by the Shareholders at the Annual Shareholder Meeting held on November 10, 2001.

ARTICLE XIV.

RIGHTS OF THE COMPANY WITH REFERENCE TO STOCKHOLDERS.

By becoming a Stockholder of this Corporation, each Stockholder grants to this Corporation the right to go upon or to send its superintendent or any other person designated by it upon the lands owned by such Stockholder for the purpose of testing and inspecting the meters thereon, and of ascertaining that water is being used thereon in accordance with the purpose of the Company and these Bylaws; and each Stockholder agrees that he will not use water in violation of the Bylaws or any rule or regulation of the Company and to any greater extent than the right to use the same, is given to him as hereinabove provided. The Company will not lay pipes or other equipment upon the lands of any Stockholders but will lay and maintain water mains so situated with respect to the lands of the Stockholders that the said Stockholders may, at their own respective costs, connect therewith and take water therefrom.

The Corporation shall reserve its rights to its easements in roadways (whether they are public or private), where the Corporation's delivery system of water mains and lateral service lines are situated. The Corporation shall have the power the purchase, lease, and/or acquire in any lawful manner and to hold, own, possess, use, sell, transfer, control, convey, operate, and maintain any and all easements in roadways and pipes or transmission lines necessary with these easements. Persons, other corporations, cities, or counties shall not interfere with or damage, break, or encroach upon this Corporation's easements or the transmission pipes contained therein.

Upon written demand on the Corporation or the Board of Directors, any Stockholder shall have the right to inspect, at any reasonable time during usual business hours, the account books and records and minutes of the proceedings of the Shareholders and the Board and committees of the Board, for a purpose reasonably related to such holder's interest as a Shareholder. The right of a Shareholder to inspect includes the right to copy and make extracts, but does not include removal of the originals from the office. Other than to Stockholders, the Corporation is under no obligation to supply any records, maps, minutes, or any other documents to non-Stockholders, other corporations, or government

officials, unless the request is made to the Board in writing and the General Counsel of the Corporation determines that the supplying of the document(s) is/are required by law.

(Passed by Stockholders by proxy, counted by Board of Directors at 1987 Annual Meeting, and finally approved by Directors at regular monthly meeting for September, 1988).

ARTICLE XV.

TRANSFER OF STOCK.

Upon transfer of the title to real property to which the water, water rights, water easements and water shares are appurtenant, the transferee or his legal representative shall deliver the stock certificate to the Secretary of the Corporation, and a new stock certificate will be issued to the new owner. If the old stock certificate is not surrendered to the Secretary of the Corporation within thirty (30) days after transfer of the title of the land has been recorded by the County Recorder, the old certificate becomes null and void and the Secretary of the Corporation shall be empowered to issue a new stock certificate to the new land owner.

(Passed by Stockholders at 1987 Annual Meeting).

ARTICLE XVI.

MEETING OF DIRECTORS.

The meetings of the Board of Directors may be held as often as the interests of the Company may require, upon the call of the President or Vice President, or a majority of the Board of Directors. Notice of all meetings of Directors shall be given to each Director in writing, signed by the Secretary or President, or in case of their absence, inability or refusal to act, by a majority of the Directors. Such notice shall be mailed or delivered to each Director at his last known place of business or residence, at least one (1) day before the meeting to which such notice relates; provided, however, that when a majority of the Directors are present at any meeting, however called or notified, and sign a written consent thereto on the records of such meeting, or if those not present sign in writing a waiver of notice of such meeting, which waiver is presented and made a part of the records of such meeting, the doings of such meeting are as valid as if had at a meeting called and noticed as herein provided.

ARTICLE XVII.

ANNUAL MEETINGS.

The Annual Stockholders Meeting shall be held within one hundred eighty-four (184) days six months of the close of the fiscal year. A notice shall be sent to all Stockholders at their last known address at least thirty (30) days prior to the date of the Stockholders Meeting. The Stockholders Meeting shall be held on the grounds of the Palo Alto Park Mutual Water Company's offices.

(Passed by the Board of Directors on December 9, 2006, and ratified by the Shareholders at the Annual Shareholder Meeting held 2007.)

No meeting of Stockholders shall transact any business, other than to adjourn, unless a quorum is present. The attendance in person or by proxy of Stockholders holding in the aggregate, at least 20% of the issued and outstanding shares of the Company shall constitute a quorum. In the absence of a quorum, the meeting may be adjourned in accordance with California Corporations Code Sections 7511(d) and 7512(d).

(Passed by Stockholders at 1984 Annual Meeting).

At every third Annual Meeting, Directors for the ensuing term shall be elected by ballot, in the manner as provided in the Civil Code of the State of California, to serve for one term, and until their successors are elected. If, however, for want of a quorum or other cause, a Stockholders Meeting shall not be held on the day above named, or should the Stockholders fail to complete their elections, or such other business as may be presented for their consideration, those present may adjourn from day to day until the same shall be accomplished in the manner provided in the Civil Code of the State of California.

(Passed by Stockholders at 1986 Annual Meeting).

ARTICLE XVIII.

MEETINGS HELD BY CONSENT WITHOUT NOTICE.

Whenever all parties entitled to vote at any Stockholders Meeting or Directors Meeting consent, either by a writing on the records of the meeting or filed with the Secretary, or by presence at such meeting and real consent entered on the minutes or by taking part in the deliberations at such meeting without objection, the doings of such meeting shall be as valid as if had at a meeting regularly called and noticed, and at such

meeting, any business may be transacted which is not excepted from the written consent, or to the consideration of which no objection for want of notice is made at the time, and if any meeting be irregular for want of notice or of such consent, provided a quorum was present at such meeting, the proceedings of such meeting may be ratified and approved and rendered likewise valid, and the irregularity of defect therein waived by a writing signed by all parties having the right to vote at such meeting.

ARTICLE XIX.
AMENDMENTS.

The Bylaws may be altered or amended at any meeting of the Stockholders by a majority of the stock represented at such meeting, or by a two-thirds vote of the whole number of the Board of Directors, to be ratified by the first meeting of the Stockholders thereafter.

ARTICLE XX.
VOTING.

At all corporate meetings, each Stockholder, either in person or by proxy, shall be entitled to as many votes as he owns shares of stock. Each property owner shall have one share of stock per 2500 square feet of property owned. For proxies to be valid for voting at the Shareholders Meeting, the following requirements must be met:

- A) All proxies must be in writing and submitted to the Secretary for verification.
- B) All proxies submitted, which list a slate for the Board of Directors, must have the consent of those persons listed on the slate to use their name.

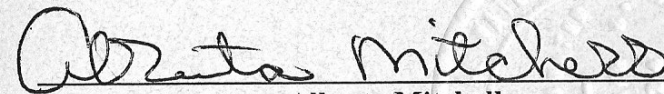
(Passed by Stockholders at 1986 Annual Meeting).

ARTICLE XXI.
SEAL.

The Company shall have a common seal, consisting of a circle having on its circumference the words, PALO ALTO PARK MUTUAL WATER COMPANY.

I, ALBERTA MITCHELL, Secretary of the Palo Alto Park Mutual Water Company, do hereby certify that the above foregoing BYLAWS of the PALO ALTO PARK MUTUAL WATER COMPANY is a true and correct copy of the original Bylaws recorded at the San Mateo County Recorder's Office on January 3, 1925, as amended and that the foregoing amendments to the original Bylaws are true and correct copies of those passed by the Shareholders and are on file at the office of the Corporation, 2190 Addison Avenue, East Palo Alto, California.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of said Corporation, the 31st day of December 2007.



Alberta Mitchell

