

Bylaws

of

***BRUSH AND OLD WELL
MUTUAL WATER COMPANY***

A California Non Profit
Mutual Benefit Corporation
Incorporated October 26, 1990

[Approved by the Members November 13, 1997]

BYLAWS
OF
BRUSH AND OLD WELL MUTUAL WATER COMPANY

[Approved by the Members November 13, 1997]

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BYLAWS
OF
BRUSH AND OLD WELL MUTUAL WATER COMPANY
A CALIFORNIA NON PROFIT MUTUAL BENEFIT CORPORATION

[Approved by the Members November 13, 1997]

ARTICLE I
OFFICES AND PURPOSES

§1.1. Offices. The principal office for the transaction of the business of this corporation (hereafter in these Bylaws called the "*Company*") is located in Santa Clara County, California. The Board of Directors shall fix the location of the principal executive office of the Company at any place within the Township of Los Gatos, County of Santa Clara, State of California. The Board of Directors is hereby granted full power and authority to change the principal office of the Company from one location to another in said Township of Los Gatos. Any such change shall be noted by the Secretary in the records of the Company, but shall not be considered an amendment of these Bylaws.

§1.2. Purposes.

(a) The purposes of the Company shall be those set forth in its Articles of Incorporation.

(b) The Company shall be authorized to do whatever may be deemed necessary, conducive, incidental or advisable to accomplish and promote said purposes, including, but not limited to: (i) constructing, leasing, maintaining and operating water system facilities, (ii) acquiring, owning, leasing, or developing water, water rights, or lands, (iii) paying any and all taxes, utilities, charges, assessments, and to undertake any other act which further the Company's purposes.

(c) No substantial part of the Company's activities shall consist of carrying on propaganda, or otherwise attempting to influence legislation. The Company shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidates for public office.

§1.3. "Service Area" means those parcels of real property which lay immediately adjacent and along side of the easements containing Brush Road and Old Well Road, as those roads are defined below.

(a) "Brush Road" shall mean and include that private road or roadway popularly known as 'Brush Road' in the Township of Los Gatos, County of Santa Clara, California, which commences 22 feet before, and toward State Route 17 from, a brick entrance gate ("Commencement Point") and terminates at parcel numbered 544-33-031.

(b) "Old Well Road" shall mean and include that private road or roadway branching off from Brush Road popularly known as 'Old Well Road', which terminates at the cul-de-sac adjacent to parcels numbered 544-56-006, 544-56-007, and 544-56-019.

§1.4. "Facilities" means tangible structures and equipment, both fixed and movable, used for the maintenance, supply, storage, and distribution of water, including but not limited to, pipes, fittings, meters, pump stations, hydrants, and tanks.

ARTICLE II

MEMBERSHIP

§2.1. *Members Exclusive Right to Water.* Water shall be sold, distributed, supplied or delivered by the Company only to Members holding valid Membership certificates, as described below, and their tenants and contracting purchasers of real property and pursuant to §330.24 of the California Civil Code.

§2.2. *Qualifications and Admission.*

(a) Eligibility for Membership in the Company is limited to those record owners of real property within the Service Area of the Company.

(b) Upon payment of the current value of such Membership, as determined by the Board of Directors, and to the extent an adequate water supply for all owners of real property within the Service Area may allow, a Membership certificate shall be issued to the record owner.

§2.3. *Certificates of Membership.*

(a) Each Membership certificate shall be numbered and entered on the books of the Company as issued. Such certificate shall exhibit the holder's name and be signed by the President or Vice President and by the Secretary and shall bear the corporate seal.

(b) Each certificate shall have inserted upon its face a description of the real property owned by the holder, to which such certificate shall be appurtenant, or a reference to the public record where such description may be found. Each certificate shall be transferred or transferable by the certificate holder only upon transfer of real property described in and upon such certificate. Not more than one certificate shall be issued in respect to each such piece or parcel or real property. When such certificate is so issued and a certified copy of these Bylaws are recorded in the Office of County Recorder in the County in which such lands are situated, such certificate shall become appurtenant to the land and shall only be transferred therewith, except after sale or forfeiture for delinquent assessments thereon as provided in §331 of the California Civil Code.

(c) In the event of loss or destruction of a certificate issued by the Company, and the Directors be reasonably satisfied of such fact upon showing supported by proper affidavit, the Board of Directors shall, by unanimous vote, authorize the issuance of new certificates in lieu of the certificates so lost or destroyed. However, the person or persons to whom such new certificate is to be issued shall first deliver to the Company a bond of indemnity satisfactory to the Board of Directors to secure it against all loss or damage by reason of the issuance of such new certificates.

§2.4. *Transferability of Membership.* Membership may be transferred only to a person meeting the qualifications of Membership as set forth in these Bylaws. By resolution, the Board of Directors may impose transfer fees or other conditions on the transferring party as it deems fit, provided those fees and conditions are the same for similarly situated Members. The Secretary shall issue a new certificate upon the transferring Member's endorsement of the certificate, and receipt of the certificate and a recorded deed or court order transferring the real property described in the membership certificate.

§2.5. *Dues and Assessments.* The Board of Directors may levy and collect dues, fees, and assessments pursuant to the provisions of Title 1 (commencing with §330.24) of Part 4 of Division 1 of the California Civil Code, as amended. Each Member must pay, within the time and on the conditions set by the Board, the dues, fees, and assessments in amounts to be fixed from time to time by the Board.

§2.6. *Members in Arrears.*

(a) There shall be a lien in favor of the Company upon each Membership and the land to which such Membership is appurtenant for all unpaid assessments, water charges and any other indebtedness to the Company of any nature,

and all such assessments, water charges and other indebtedness may be enforced by a personal action against the Membership holder as well as by any other remedy provided by law. The Board of Directors may cause a notice of such lien to be recorded in the appropriate county recorder office.

(b) The Board of Directors may also impose other fees and penalties upon Members in arrears and any such policy containing a description of such fees and penalties shall be distributed to all Members.

(c) Members in arrears shall forfeit all rights to vote at meetings of the Company until the arrearage is liquidated or paid in full. Such liquidation or payment may be made at any time prior to the beginning of any such meeting and thereupon such Member shall be free to exercise all voting rights.

§2.7. *Non Liability of Members.* The property of the Member shall be exempt from execution or other liability for any debts of the Company owed to a third party and no Member shall be liable or responsible for any debts or liabilities of the Company owed to a third party.

§2.8. *Members' Interests in the Company.* No Member of the Company shall have any right, title or interest in or to any property or assets of the Company, except upon dissolution; *subject, however,* to the provisions of §7.1 below.

ARTICLE III

MEETINGS OF MEMBERS

§3.1. *Annual Meeting.* The annual meeting of Members shall be held at the principal office of the Company or at such other place as the Board of Directors may from time to time determine within the County of Santa Clara, at 8:00 p.m. on the last week in March of each year, or on such a day and time as the Board of Directors may otherwise specify. If the day so designated shall fall on a Sunday or legal holiday, then the meeting shall be held upon the first business day thereafter.

§3.2. *Special Meetings.* Special meetings of Members, other than those regulated by statute, may be called at any time by the President, or by the Board of Directors, or by one or more certificate holders, holding not less than one-fifth of the voting power of the Company. Such special meeting shall be held within the County of Santa Clara, California, the location of the principal office for the transaction of business of the Company.

§3.3. *Notice of Meetings.* The notice calling any meeting, which notice shall be by the Secretary in calling the annual meeting, shall state the purpose or purposes of the proposed meeting and the business to be transacted, and the business transacted at such meeting shall be confined to the objects and purposes stated in the call. Written notice of such meeting, stating the time, place, and purposes thereof shall be mailed to each certificate holder not less than fourteen (14) and not more than sixty (60) days before such meeting. At any meeting at which all members shall be present or of which all members not present have waived notice in writing, the giving of notice as above required may be dispensed with.

§3.4. *Voting of Membership.*

(a) *Members Entitled to Vote.* Subject to the provisions of the California Nonprofit Mutual Benefit Corporate Law, Members entitled to vote at any meeting of the Members shall be in good standing as of the record date determined under subsection (b) of this §3.4 and such other policies that may be described by the Board of the Directors.

(b) *Record Date.* No certificate may be voted at any election which has been transferred on the Company within five (5) days next preceding the date of such meeting.

(c) *One Vote.* Each Member entitled to vote shall be entitled to cast one vote on each matter submitted to a vote of the Members. Only one vote may be cast for each Membership certificate. There shall be no right of cumulative voting.

§3.5. *Proxies.* Each proxy must be executed in writing by the Member of the Company. No proxy shall be valid after the expiration of eleven months from the date of its execution, unless it shall have specified therein its duration.

§3.6. *Quorum.* A majority of the Members entitled to vote, in person or by proxy, shall constitute a quorum at any Member's meeting.

§3.7. *Vote Necessary.* All matters properly brought before any meeting shall be decided by a simple majority of those Members present, in person or by proxy, who are eligible to vote, *except* that any proposed change to any provision contained in ARTICLE VII shall be governed by the provisions of the *proviso* in §9.1.

ARTICLE IV
DIRECTORS

§4.1. *Powers of the Board of Directors.* The Board of Directors shall exercise the powers of association, control its property and conduct its affairs, except as otherwise provided by law. All Directors shall serve without compensation, but, by resolution of the Board, a fixed sum and expenses of attendance, if any, may be allowed for attendance at any regular or special meeting of the Board. Nothing herein shall be construed to exclude any Director from serving the Company in any other capacity and receiving compensation therefore.

§4.2. *Number, Term, Etc.* From and after the annual meeting held on August, 28, 1995 the Board of Directors shall be composed of three members. Directors shall be elected for a term of two (2) years. Each Director must be a Member of the Company. The respective terms will expire at the annual meeting of the Members. At each annual meeting, new Directors shall be elected by the Members to fill the term of those Directors which have expired. Directors in office are eligible for re-election without limitation as to terms.

§4.3. *Vacancy in the Board.* Any vacancy occurring in the Board of Directors between annual meetings shall be filled, for the unexpired portion of the term, by a majority vote of the remaining Directors, or by appointment of a sole Director. Such Director shall hold office until his or her successor is elected at the next annual meeting of the Members, or any special meeting called for that purpose prior thereto. A vacancy shall be deemed to exist in the case of a death or resignation or removal of any Director, or if the authorized number of Directors shall be increased, or in a case the Members, at any annual or other meeting, fail to elect the full number of Directors, or whenever any vacancy is created in accordance with the law. Resignation shall be by written notice submitted to the President or Secretary.

§4.4. *Removal of Directors by Members.* Any one or more of the Directors may be removed either with or without cause at any time by a vote of a majority of the Members of the Membership role, taken at any special meeting called for that purpose.

§4.5. *Meetings of Directors.*

(a) Meetings of the Board of Directors shall be held at such time and place as the Board, by resolution, may designate, and, if no such meeting place is designated, then such as the President or other person or person calling the meeting may designate.

(b) The President or any two of the Directors may call a meeting of the Board of Directors at any time.

(c) Immediately after election of Directors at the annual meeting of the Membership, the Directors shall meet for the purpose of organization, the election of officers, and the transaction of other business.

(d) Notice of meetings of the Directors shall be given to all Directors in such manner as the Board of Directors by resolution, may specify.

§4.6. *Quorum.* A quorum shall be present when a majority or more of the Directors are present at a meeting. Each Director shall have one vote. If a quorum is not present, the Directors present may adjourn such meeting without further notice other than an announcement thereat.

§4.7. *Waiving Notice of Meeting.* Whenever by statute or by the provisions or Articles of Incorporation or these Bylaws the Directors are authorized to take any action after notice, such notice may be waived, in writing, before or after the holding of the meeting, by the person or persons entitled to such notice, or, in case of a Member, by an attorney thereunto authorized.

§4.8. *Action Without a Meeting.* Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board and such action by written consent shall have the same force and effect as a unanimous vote of such Directors. For the purposes of this §4.8 only, "Directors" shall not include any "interested director" as defined and referred to in §5233 of the California Corporations Code.

§4.9. *Meetings by Telephone.* Directors may participate in a meeting through use of conference telephone or similar communications equipment, so long as all Members participating in such meeting can hear one another. Participation in a meeting pursuant to this §4.9 constitute presence in person at such meeting.

§4.10. *Financial Reports.* The Board of Directors shall keep such records as required by §8320 of the California Corporations Code. An annual report shall be prepared in accordance with §8321 of the California Corporations Code not later than 120 days after the close of the Company's fiscal year. The Board of Directors shall notify each Member yearly of the Member's right to receive such financial report within 105 days of the close of the fiscal year, and, upon written request of

such Members, the Board shall promptly cause the most recent annual report to be sent to the requesting Member.

§4.11. *Committees.* The Board of Directors, by resolution, may from time to time designate ad hoc committees for specific purposes, to make recommendations to the Board of Directors. The resolution designating the committee shall provide for the appointment of its Members and chairman, state its purposes, provide for its termination and specify that its committee is not empowered to act.

ARTICLE V OFFICERS

§5.1. *Number, Term, Etc.* The Company shall have a President, Treasurer, and Secretary, and such other officers as shall be elected from time to time by the Board of Directors. The President is and shall be the general manager and chief executive officer of the Company. An officer may be, but is not required to be, a Director, but each officer shall be a Member of the Company. Either or both the Treasurer and Secretary may be appointed to simultaneously act in the capacity of Vice President. All such officers shall be elected by and hold office for a term of two (2) years or at the pleasure of the Board of Directors. The Board may remove any officer with or without cause. Any vacancies due to death, resignation, removal, disqualification, or other cause shall be filled by election by the Board. All officers shall serve without compensation, but, by resolution of the Board, may be paid their reasonable expenses.

§5.2. *Duties and Powers.* The duties and powers of the Company's officers shall be as follows:

(a) *President.* The President shall preside at all meetings of the Board and of the Members, and shall execute on behalf of the Company all certificates of stock, bonds, mortgages, deeds, and leases and no other instruments shall be valid without his or her signature unless the execution of such instrument shall be otherwise specifically authorized by these Bylaws or by a resolution of the Board of Directors.

(b) *Vice President.* Any Vice President shall assist the President in the discharge of the President's duties, as required, and shall preside at all meetings and perform the duties of the President in the absence or disability of the President.

(c) *Secretary.* The Secretary shall have custody of and maintain all of the corporate records, except financial records; shall record the minutes of all the meetings of the Members and of the Board of Directors; send out all notices of meetings; and perform such other duties as may be prescribed by the Board of Directors or the President. Such records shall at all reasonable times be open to inspection by any Director or Member. The Secretary shall cause to be prepared and maintained a complete list of Members entitled to vote with the name and address of each Member. Such list shall be produced and kept current at the principal office of the Company and shall be open to examination by any Member throughout such time.

(d) *Treasurer.* The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Company with such depositories as may be designated by the Board of Directors. The Treasurer shall disburse funds of the Company as may be ordered by the Board of Directors, shall render to the President and Directors, upon their request, an account of all of the transactions of the Treasurer and of the financial conditions of the Company, and shall have such other powers and duties as may be prescribed by the Board of Directors or by these Bylaws.

ARTICLE VI

WATER SERVICE RATES AND REGULATIONS

§6.1. *Water Rates and Reserves.*

(a) The Board of Directors shall, by resolution, establish a uniform rate or schedules of rates chargeable to Members of the Company for the availability of, or the use of, or both, by such Members of water supplied and distributed by the Company. The rates so established shall not be in excess of the anticipated cost to the Company of acquiring, operating, and maintaining its water supply, storage, and distribution system, and similar costs during the twelve month period following the establishment of such rate or rates. The rate or rates established by the Board of Directors shall be reviewed annually and audited and adjusted to conform to such estimated costs for the ensuing twelve months period. The Members of the Company shall be notified in writing of the estimated rates and all subsequent adjustments and changes thereof.

(b) The Board of Directors shall also establish a rate structure which will result in the accumulation and maintenance of a fund for the repair and replace-

ment of the water supply, distribution and fire protection system (the repair and replacement fund). The rate charged, moreover must bear a reasonable relationship to the cost of furnishing water. Unimproved lots owned by Members and within the area to be served must bear a proportionate share of the cost of repair and share the cost of maintaining the repair and replacement fund.

§6.2. *Rules as to Water Use and Payment.* The Board of Directors shall, by resolution, adopt rules and regulations respecting the extent of use of water distributed by the Company, the time and place and method of payment of water rates, the method and manner of discontinuance of water service in the event of a failure of any use thereof to pay such charges and such other matters as are related to the supply and distribution of water. Such rules and regulations may be altered or amended from time to time. A copy of the rules and regulations shall be kept at the office of the Company and be available for inspection by Members. No further notice of such rules and regulations need be given.

§6.3. *Members' Rights to Water.* Each owner of a lot or parcel of real property, whether improved or unimproved, within the Service Area of the Company must purchase a Membership in the Company for each lot or parcel in order to have water service available thereto. Each Member shall be entitled to the distribution and delivery to such Member of a proportionate share of all water produced by the Company, not exceeding the actual needs therefore, for domestic and recreational use on the property described on the Membership certificate owned by such Member.

§6.4. *Unauthorized Use of Water.* The use of any water produced and supplied by the Company on lands other than those described in the certificate owned by such Member or its use for other than domestic purposes shall constitute grounds for discontinuance of all further water service to such Member. However, before the discontinuance of such service, such Member shall be given written notice of such unauthorized use of water and be requested forthwith to discontinue such unauthorized use, or in the event of the Member's subsequent unauthorized use of water shall cancel and annul all rights of such Member in this Company as a Member and as a user of water, and such Member shall be required forthwith to surrender the certificates of Membership in this Company to the Company for cancellation.

§6.5. *Unusual Procurement of Water.* In the event that the Company makes extraordinary purchases of water from a public utility, municipal water company or water district, each Member shall be charged a pro rata amount of the costs of such water.

§6.6. *Service Area Changes.* The Company's Service Area, and the Facilities thereof, may be expanded from time to time by the Board of Directors. No such expansion shall take place without an engineer's report containing all relevant information (including a finding that such expansion will not substantially diminish the quality and quantity of service to existing Members) and establishing the engineering feasibility of such expansion, and a Treasurer's report establishing the financial feasibility of such expansion.

ARTICLE VII

MEMBERS RIGHTS TO ASSETS

§7.1. If a Member's membership is withdrawn or terminated, that Member's equitable interest in the Company will not be forfeited.

§7.2. Funds in excess of those needed to meet current losses and operating expenses shall be retained only to the extent of the Company's reasonable needs for normal business purposes, such as retiring indebtedness, expansion, or maintaining reserves for necessary purposes. Earnings in excess of reasonable needs will be returned to the Members in proportion to the amount of business done with the Company.

§7.3. The Company will keep records that show the amount of business done with each Member on the basis of its annual accounting period and of each Member's rights and interest in the assets of the Company.

§7.4. Upon dissolution, if the Company has gains from the sale of an appreciated asset, it shall distribute, to the extent practicable, the gains as well as other funds to all persons who were Members during the period which the asset was owned by the Company in proportion to the amount of business done by such Members during that period.

ARTICLE VIII

INDEMNIFICATION AND INSURANCE

§8.1.

(a) The Company shall indemnify any agent of the Company who was a party to any proceeding by reason of the fact that the person is or was an agent of the Company against expenses actually and reasonably incurred in any proceeding to the extent that the agent was successful on the merits of the

defense of the proceeding or in defense of any claim, issue, or matter therein. Expenses shall include any attorneys' fees and any other expenses of establishing a right to indemnification.

(b) The Company may indemnify any agent of the Company who was or is a party or is threatened to be made a party to any proceeding by reason of the fact that such person is or was an agent of the Company, against expenses actually provided and reasonably incurred in connection with such proceeding provided the approval requirements described in §8.2 of these Bylaws have been satisfied.

(c) For purposes of §§8.1-8.5 of these Bylaws, the term "*agent*" means any present or former director, officer, employee, or other agent of the Company; the term "*proceeding*" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative; and the term "*expenses*" includes judgments, fines, or settlements occurring in any proceeding other than a proceeding brought by or on behalf of the Company. §8.2.

(a) Unless indemnification is required as provided in §8.1 of these Bylaws indemnification shall be made only if authorized in the specific case on a determination that indemnification is proper in the circumstances because the agent satisfied the appropriate standard of care described in §8.3 of these Bylaws. The determination must be made by one of the following methods:

A majority vote of a quorum of the Board consisting of directors who are not parties to the proceeding; or the affirmative vote of a majority of the Voting Power of the Members entitled to vote at a duly held Members' meeting in which a quorum was present, provided that if the agent to be indemnified is a Member, the agent shall not be entitled to vote; or the court in which such proceeding is or was pending on application made by the Company or the agent or the attorney or other person rendering services in connection with the defense, whether or not the application is opposed by the Company.

(b) Notwithstanding the foregoing, any indemnification in any proceeding brought by or on behalf of the Company shall be subject to the restrictions contained in California Corporations Code §7237(c).

§8.3. In any proceeding brought by or on behalf of the Company, the applicable standard of care shall require that the agent acted in good faith, or in a manner the

agent believed to be in the best interests of the Company and with the care including reasonably inquiry, that an ordinarily prudent person in like position would use under similar circumstances. In any other proceedings, the agent must have acted in good faith, in a manner the agent believed to be in the best interests of the Company and, in the case of a criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful.

§8.4. On approval by the Board, expenses incurred in defending any proceeding may be advanced by the Company prior to the final disposition of the proceeding, provided the Company receives an undertaking by or on behalf of the agent that the advances will be repaid unless it is ultimately determined that the agent was entitled to indemnification as required or authorized by these Bylaws.

§8.5. The Company shall have the power to purchase and maintain insurance on behalf of its agents, against any liability asserted against or incurred by any agent in such capacity or arising out of the agent's status as such whether or not the Company would have the power to indemnify the agent against such liability under §§8.1-8.4 of these Bylaws.

ARTICLE IX

MISCELLANEOUS PROVISIONS

§9.1. *Amendments.* Bylaws of the Company are to be made, altered, or rescinded by a majority vote of the Board of Directors of the Company or by a majority vote of the Members of the Company at a special or regular meeting thereof, at which a quorum is present; *provided, however*, that the provisions of ARTICLE VII hereof, which are also set forth in the Company's Article of Incorporation and are requirements of the Internal Revenue Service relating to the Company's tax status, shall not be amended without first obtaining advice of counsel on the effect, if any, that any such proposed amendment might have on the tax status of the Company.

§9.2. *Execution of Documents.* Except as otherwise provided by law, checks, drafts, promissory notes, orders for the payment of money and other evidences of indebtedness of the Company shall be signed by the Treasurer and countersigned by the President, or in the President's absence, the Vice President, or, in the absence of both the President and Vice President, any other person designated by the Board of Directors. Any contract lease or other instrument executed in the name of and on behalf of the Company, shall be signed by the President, and shall have attached to it a copy of the resolution of the Board of Directors, certified by the Secretary authorizing its execution.

§9.3. *Corporate Seal.* The seal of the Company shall have inscribed thereon the name of the Company and the date of its organization. Such seal may be used by causing it or a facsimile thereof to be impressed, affixed, reproduced or in any other form of evidencing the intended assigning officer or officers to have the effect of the corporate seal.

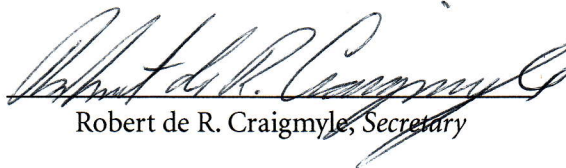
§9.4. *Fiscal Year.* The fiscal year of the Company shall be the calendar year January 1 through December 31, inclusive.

§9.5. *Notice by Mail.* Any notice required by these Bylaws, when served by mail, shall be enclosed in a sealed envelope, with the postage prepaid thereon and addressed on the outside thereof to the person for whom it may be intended at the post office address of such person as it may appear on the records of the Company. If such address shall not appear upon the Company's records, such notice shall be shall be deposited in the United States Mail at Los Gatos, California.

Certificate of Secretary

I Hereby Certify that I am the duly elected and acting Secretary of BRUSH AND OLD WELL MUTUAL WATER COMPANY, a California non profit mutual benefit corporation, the bylaws attached hereto are the Bylaws of this Corporation as adopted by the Board of Directors of the Corporation on October 1, 1997, and as approved by the Members of this Corporation on November 13, 1997 and that these Bylaws have not been altered or amended and remain in full force and effect on the date hereof.

Witness my Hand and Seal this 16th day of December, 1999 at Los Gatos, County of Santa Clara, State of California.


Robert de R. Craigmyle, Secretary

[CORPORATE SEAL]

