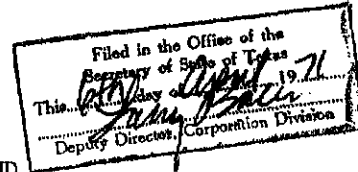


ARTICLES OF CONSOLIDATION
OF DOMESTIC CORPORATIONS
INTO
LATEXO WATER SUPPLY CORPORATION AND
PERCILLA WATER SUPPLY CORPORATION



Pursuant to the provisions of Article 5.04 of the Texas Non-Profit Corporation Act, the undersigned corporations adopt the following Articles of Consolidation for the purpose of consolidating them into a new corporation:

FIRST: The following Plan of Consolidation was approved by each of the undersigned corporations:

See Plan of Consolidation, Exhibit "A"

SECOND: As to each of the undersigned corporations, the Plan of Consolidation was adopted in the following manner:

"The Plan of Consolidation was adopted by Latexo Water Supply Corporation at a Meeting of its members held on March 23, 1971, and adopted by Percilla Water Supply Corporation at a Meeting of its members held on March 24, 1971, at which a quorum was present, and the Plan of Consolidation received at least two-thirds of the votes entitled to be cast by members present or represented by proxy at such meeting."

Dated March 26, 1971.

THE LATEXO WATER SUPPLY CORPORATION

BY *C. D. Mahon*
PRESIDENT

AND *J. F. Wilson*
SECRETARY

THE PERCILLA WATER SUPPLY CORPORATION

BY *L. E. Sterns*
PRESIDENT

AND *Mrs. Travis Lively*
SECRETARY

THE STATE OF TEXAS ()
COUNTY OF HOUSTON)

BEFORE ME, the undersigned authority,

on this day personally appeared Davis Graham, President of Latexo Water Supply Corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and after being by me duly sworn, acknowledged to me that the same was the act of the said Latexo Water Supply Corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN under my hand and seal of office, this 26 day of March, A. D. 1971.


Notary Public, Houston County, Texas

My commission expires June 1, 1971.

THE STATE OF TEXAS ()
COUNTY OF HOUSTON)

BEFORE ME, the undersigned authority,

on this day personally appeared Leon E. Sterns, President of Percilla Water Supply Corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and after being by me duly sworn, acknowledged to me that the same was the act of the said Percilla Water Supply Corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN under my hand and seal of office, this 26 day of March, A. D. 1971.


Notary Public, Houston County, Texas

My commission expires June 1, 1971.

PLAN OF CONSOLIDATION
OF LATEXO WATER SUPPLY CORPORATION
AND PERCILLA WATER SUPPLY CORPORATION

This Agreement and Plan of Consolidation, dated the 27th day of FEBRUARY, 1971, between Latexo Water Supply Corporation, (hereinafter referred to as Latexo), and a majority of the directors thereof duly acting as the board of directors thereof, and Percilla Water Supply Corporation, (hereinafter referred to as Percilla), and a majority of the directors thereof duly acting as the board of directors thereof, Witnesseth:

Whereas, Latexo is a corporation duly organized and existing under the laws of the State of Texas, having as of the date of this agreement 212 number of members, each of whom have one (1) share of stock of \$50.00 stated value, which are issued and outstanding as of the effective date of this agreement; and

Whereas, Percilla is a corporation duly organized and existing under the laws of the State of Texas, having as of the effective date of this agreement 34 number of shares of stock outstanding with a stated value of \$50.00 each and each share issued to one (1) member of the corporation;

Whereas, the board of directors of each of said corporations deem it advisable that Latexo and Percilla consolidate into The Consolidated Water Supply Corporation, and each of said boards has by resolution duly approved and adopted this Agreement and Plan of Consolidation and has duly resolved that same be submitted to a vote of the shareholders of each of said corporations in accordance with the provisions of Article 1396a, Section 5.02, et seq., of the Texas Non-Profit Corporation Act;

Now, therefore, in consideration of the premises and of the mutual agreements, provisions, covenants and grants herein contained, the parties hereto hereby agree that, subject to the conditions herein expressed, Latexo shall be consolidated with Percilla into the newly named The Consolidated Water Supply Corporation,

and that the terms and conditions of the consolidation hereby agreed upon and the mode of carrying the same into effect and the manner of converting the shares of Latexo and Percilla to The Consolidated Water Supply Corporation are and shall be as hereinafter set forth.

ARTICLE 1. Except as herein otherwise specifically set forth, the identity, existence, purpose, powers, franchises, rights and immunities of Percilla and Latexo shall cease on the effective date of this consolidation, except in so far as it may be continued by statute. Thereupon, Latexo and Percilla shall become a single corporation, The Consolidated Water Supply Corporation. Latexo and Percilla are hereinafter sometimes collectively referred to as the "Constituent Corporations"; the single corporation, to-wit: the single corporation which shall result from the consolidation is hereinafter sometimes referred to as the Resulting Corporation, and the date upon which this consolidation shall become effective, if at all, shall be upon the completion of each issuance of certificates of consolidation by the Secretary of State of Texas as envisaged by Article 5.02 et seq., of the Texas Non-Profit Corporation Act, which date is sometimes referred to as the "effective date of this consolidation."

ARTICLE 2. (a) The articles of incorporation and certificate of incorporation of The Consolidated Water Supply Corporation attached hereto and marked Exhibit "A", on the effective date of this consolidation shall be the articles of incorporation and certificate of incorporation when issued by the Secretary of the State of Texas, under which the business of the resulting corporation shall be conducted, subject nevertheless to amendment from time to time thereafter in the manner now or hereafter prescribed by law.

(b) The basic difference in the articles of incorporation of Percilla Water Supply Corporation and Latexo Water Supply Corporation and the Articles of Incorporation of The Consolidated Water Supply Corporation are:

1. Increase number of members of the Board of Directors from five to nine members:

2. Stagger Director's terms over a three year period.

(c) Provided, however, that the now existing shares of stock issued by Latexo and Percilla as soon as practical after the effective date of consolidation shall be canceled by the Secretary of the Resulting Corporation and new stock certificates issued by The Consolidated Water Supply Corporation. Said Corporation shall have authority to issue any number of shares as it deems necessary and advisable from time to time.

ARTICLE 3. The By-Laws of The Consolidated Water Supply Corporation, as attached and marked Exhibit "B" and made a part hereof, shall be the By-Laws for The Consolidated Water Supply Corporation, on the effective date of this consolidation and shall be and remain the By-Laws of the Resulting Corporation until the same shall be altered, amended or repealed as provided therein or in the articles of incorporation of the Resulting Corporation or otherwise as provided by law.

ARTICLE 4. The names and places of residence of the directors of the resulting corporation who shall hold office until their respective successors shall be elected and qualified are as follows:

<u>NAME</u>		<u>ADDRESS</u>
O. D. Graham	Route 3	Crockett, Texas
Roy W. Jones	Route 3	Crockett, Texas
J. F. Dotson	Route 2	Grapeland, Texas
R. A. Mims	Route 3	Crockett, Texas
L. E. Sterns	Route 2, Box 189C	Grapeland, Texas
Galvin Dickey	Route 3, Box 121	Grapeland, Texas
J. H. Neel	Route 2, Box 71	Grapeland, Texas

ARTICLE 5. (a) The shares of Latexo and Percilla outstanding on the effective date of the consolidation shall be canceled, effective on said date.

(b) The manner of converting the shares of stock from Latexo and Percilla shall be by presentation to the Secretary of the Resulting Corporation who shall forthwith cause to be executed share for share, stock of the Resulting Corporation.

(c) On the effective date of this consolidation, each share of stock deemed issued and outstanding on said date and all rights in respect thereof, shall be deemed converted into one share of the Resulting Corporation, and thereafter each holder of shares of Latexo and Percilla, upon surrender to the Resulting Corporation for cancellation of one or more certificates which prior to the effective date of this consolidation represented such shares of Percilla and Latexo, shall be entitled to receive one or more certificates representing the number of full shares of the Resulting Corporation to which such holder is entitled.

ARTICLE 6. On the effective date of this consolidation, the Resulting Corporation shall, without other transfer, succeed to and possess all the rights, privileges, powers and franchises, as well of a public as of a private nature, and be subject to all disabilities and duties of Latexo and Percilla and all and singular the rights, privileges, powers and franchises of Latexo and Percilla and all property, real, personal and mixed, and all debts due to Latexo and Percilla on whatever account, as well for stock subscriptions as all other things in action or belonging to Latexo and Percilla, shall be vested in the Resulting Corporation; and all property, rights, privileges, powers and franchises, and all and every other interest of Latexo and Percilla shall be thereafter as effectually the property of the Resulting Corporation as they were of Latexo and Percilla respectively, on the effective date of said consolidation, and the title to any real estate, vested by deed or otherwise, under

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the laws of the State of Texas or any of the other states of the United States or of the United States of America, in Latexo and Percilla shall not revert or be in any way impaired by reason of said consolidation; provided, however, that all rights of employees and creditors of Latexo and Percilla and all liens upon any property of Latexo and Percilla shall be preserved unimpaired, but limited in lien to the property affected by such liens at the time of the effective date of this consolidation; and all debts, liabilities and duties of Latexo and Percilla shall thenceforth attach to the Resulting Corporation and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted by it. Latexo and Percilla hereby agree that from time to time, as and when requested by the Resulting Corporation or by its successors or assigns, it will execute and deliver or cause to be executed and delivered all such deeds and other instruments and will take or cause to be taken such further or other action as the Resulting Corporation may deem necessary or desirable in order to vest or perfect in or confirm of record or otherwise to the Resulting Corporation title to and possession of all said property, rights, privileges, powers and franchises and in all other respects effectively carry out and effectuate the purposes of this agreement.

ARTICLE 7. Prior to the effective date of this consolidation neither of the Constituent Corporations will engage in any activity or transaction other than the normal course of business without first obtaining the approval of the other.

ARTICLE 8. Anything herein or elsewhere to the contrary notwithstanding, it is expressly recognized and agreed that the Plan of consolidation herein contained may be terminated or abandoned before the effective date of such consolidation:

(a) By the Board of Directors of either of the Constituent Corporations if any material covenant, representation or warranty

contained herein upon which such corporation is entitled to rely shall have been breached;

(b) By mutual consent of the Boards of Directors of both Constituent Corporations;

(c) By the Board of Directors of either of the Constituent Corporations if any material litigation shall be pending or threatened against either of the Constituent Corporations, or any of their respective assets, or the consolidation, which, in the judgment of such board, renders it inadvisable to proceed with the consolidation;

(d) By the Board of Directors of either of the Constituent Corporations if any of the properties of the other of the Constituent Corporations shall have been damaged by fire or other casualty, whether or not insured, which, in the judgment of such board, materially and adversely affects the assets or the conduct of the business of such corporation to such an extent as to make it inadvisable to proceed with the consolidation;

(e) By the Board of Directors of either of the Constituent Corporations if such corporation shall not have received an opinion or opinions of counsel, whose integrity and ability shall be satisfactory to the addressee of such opinion or opinions, of counsel for the other of the Constituent Corporations, in form, scope and substance satisfactory to it, with respect to such matters incidental to the consolidation as it may reasonably request;

(f) In the event of termination and abandonment of this agreement and plan of consolidation by the Board of Directors of either of the Constituent Corporations as herein provided for, notice shall promptly be given to the other, and thereupon this agreement and plan of consolidation shall become wholly void and of no effect, and there shall thereafter be no liability on the part of either of the Constituent Corporations or their respective boards of directors or shareholders by reason thereof.

ARTICLE 9. If the shareholders of each of the Constituent Corporations approve this agreement and plan of consolidation in conformity with the procedures specified in Article 1396a, Section 5.02, et seq., of the Texas Non-Profit Corporation Act, all expenses thereafter incurred in carrying this agreement into effect shall be paid by the Resulting Corporation. All expenses prior to such approval, if any, shall be paid by the corporation incurring the same, and it is expressly agreed that each corporation will pay and discharge, as incurred, all its own counsel fees, postage, proxy solicitation costs, and all other expenses incidental to complying with the provisions of Article 1396a, Section 5.03 of the Texas Non-Profit Corporation Act, and any and all other expenses incidental to submission of this agreement and plan to the respective shareholders of the Constituent Corporations.

ARTICLE 10. For the convenience of the parties and to facilitate the filing or recording of this agreement and plan any number of counterparts thereof may be executed, and each such executed counterpart shall be deemed to be an original instrument.

In Testimony Whereof, the Constituent Corporations, pursuant to and in conformity with duly adopted resolutions of their respective boards of directors, have caused this agreement and plan to be signed in their respective corporate names and by their respective Presidents or Vice-presidents and their respective corporate seals to be hereunto affixed and attested by their respective Secretaries or Assistant Secretaries, and a majority of the directors of each of the Constituent Corporations have also hereunto set their hands, all as of the day and year first above written.

LATEXO WATER SUPPLY CORPORATION

By

O. D. Graham
President

ATTEST:

J. F. Disher
Secretary

PERCILLA WATER SUPPLY CORPORATION

By

J. E. Sterns
President

ATTEST:

Mrs. Francis Lively
Secretary

DIRECTORS OF LATEXO WATER SUPPLY CORPORATION

A. D. Graham

J. F. Nelson

Ray Jones

A. A. Mimm

DIRECTORS OF PERCILLA WATER SUPPLY CORPORATION

L. E. Starns

J. H. Meel

C. E. Dickey

ARTICLES OF INCORPORATION
OF

THE CONSOLIDATED WATER SUPPLY CORPORATION

THE RESULTING CORPORATION FROM CONSOLIDATING
LATEXO WATER SUPPLY CORPORATION AND
PERCILLA WATER SUPPLY CORPORATION

THE STATE OF TEXAS (:
COUNTY OF HOUSTON) KNOW ALL MEN BY THESE PRESENTS:

WE, the undersigned natural persons of the age of twenty-one years or more, at least three of whom are citizens of the State of Texas, acting as incorporators of a Corporation, do hereby adopt the following Articles of Incorporation for such Corporation:

ARTICLE I

The name of the Corporation is The Consolidated Water Supply Corporation.

ARTICLE II

The Corporation is a non-profit Corporation organized under Article 1434a of the Revised Civil Statutes of Texas of 1925, as amended, supplemented by the Texas Non-Profit Corporation Act, Article 1396, Section 1.01 et seq., as amended, and is authorized to exercise all powers, privileges and rights conferred on a Corporation by these Acts, and all powers and rights incidental in carrying out the purposes for which the Corporation is formed, except such as are inconsistent with the express provisions of these Acts.

ARTICLE III

The period of its duration is perpetual.

ARTICLE IV

The Corporation is formed for the purpose of furnishing a water supply to individuals residing in the rural area of Houston County, Texas, and its adjacent counties. The places where the business of the Corporation is to be transacted shall be in Houston County, Texas, and in surrounding rural areas.

ARTICLE V

The street address of the initial registered office of the Corporation is 100 North 6th Street, Crockett, Texas, and the name of its initial registered agent at such address is Chester V Hines.

ARTICLE VI

The number of directors constituting the initial Board of Directors of the Corporation is seven (7), and the names and addresses of the seven (7) persons who are to serve as the initial directors are:

<u>NAME</u>	<u>ADDRESS</u>	<u>CITY</u>
O. D. Graham	Route 3	Crockett, Texas
Roy W. Jones	Route 3	Crockett, Texas
J. F. Dotson	Route 3	Crockett, Texas
R. A. Mims	Route 3	Crockett, Texas
L. E. Sterns	Rt 2, Box 189C	Grapeland, Texas
Calvin Dickey	Rt 3, Box 121	Grapeland, Texas
J. H. Neel	Rt 2, Box 71	Grapeland, Texas

The number of directors constituting the Permanent Board of Directors of the Corporation shall be nine (9) after the first annual stockholders meeting.

ARTICLE VII

The names and street address of each incorporator is:

<u>NAME</u>	<u>ADDRESS</u>	<u>CITY</u>
O. D. Graham	Route 3	Crockett, Texas
Roy W. Jones	Route 3	Crockett, Texas
L. E. Sterns	Rt 2, Box 189C	Grapeland, Texas

Each incorporator shall be a member of the Board of Directors who are to serve as directors also until the first annual meeting of the members, or until their successors are elected and qualified.

ARTICLE VIII

The Corporation is and shall continue to be a Corporation without capital stock, and membership in the Corporation shall be deemed personal estate and shall be transferable only on the books of the Corporation in such manner as the By-Laws may prescribe.

IN WITNESS WHEREOF, we have hereunto set out hands, this the 26th day of March, 1971.

O. D. Graham

L. E. Sterns

Roy Jones

THE STATE OF TEXAS ()
COUNTY OF HOUSTON ()

I, Chester V. Hines, A Notary Public, do hereby certify that on this 26th day of March, 1971, personally appeared before me, O. D. Graham, L. E. Sterns and Roy Jones, who each being by me first duly sworn severally declared that they are the persons who signed the foregoing document as incorporators, and that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year above written.

C. Hines
Notary Public, Houston County, Texas

My commission expires June 1, 1971.

BY-LAWS

THE CONSOLIDATED WATER SUPPLY CORPORATION

By-laws of The Consolidated Water Supply Corporation, having been presented to the Board of Directors of said Corporation and duly adopted are as follows:

ARTICLE I
OFFICERS AND THEIR DUTIES

1. PRESIDENT:

The President shall perform all duties that usually pertain to the office or are delegated to him by the Board of Directors.

2. VICE-PRESIDENT:

The Vice-President shall, in case of the absence or disability of the President, perform the duties of the President.

3. SECRETARY-TREASURER:

The Secretary-Treasurer shall have the custody of all the monies and securities of the Corporation. He shall keep regular books and shall keep minutes of all meetings of members and directors. All monies of the Corporation shall be deposited by him in such depository as shall be selected by the Directors. Checks must be signed by him and the President, or Vice-President, in the absence of the President. He shall have custody of the seal of the Corporation and affix it as directed hereby or by resolution passed by the Board of Directors or members.

4. BOND FOR TREASURER:

The position of the Secretary-Treasurer shall be placed under a fidelity bond in an amount which shall be set by the Board of Directors. The amount of said bond shall be set from time to time by the Board of Directors, but shall not be less than \$1,000.00.

ARTICLE II
CERTIFICATES OF MEMBERSHIP

1. MEMBERSHIP FEE:

The membership fee shall be Fifty (\$50.00) Dollars which shall entitle the member to membership stock certificates and one connection to the water main of the Corporation.

2. STOCK TRANSFER APPROVAL:

In order to insure that the business done by the Corporation shall continue within the capacity of its facilities and to prevent undue financial burden on the members of the Corporation, membership in the Corporation shall be transferred from the original members, their transferees, pledgees, administrators or executors, or purchasers at judicial sale, to other persons only after approval by the directors of the person proposing to buy said membership. Stock Certificates in the Corporation shall be deemed personal estate, and shall be transferable only upon surrender of membership certificate endorsed by the record owner to the transferee, and after all indebtedness due the Corporation has been paid by or in behalf of the transferor member.

3. SURVIVING SPOUSE OWNERSHIP:

All Certificates shall be issued in the name of one person who owns the property to be served by the Corporation; however, in the event said person dies and is survived by a spouse, title to said certificate shall automatically be presumed to be the property of said surviving spouse as though the surviving spouse were recorded as the purchaser of said share of stock. The Corporation shall be presented a duly executed death certificate as proof of death of the deceased spouse before transfer of said stock may be effective at the request of the surviving spouse or his or her heirs, otherwise, stock in the Corporation shall be transferred according to the laws of this State.

4. CORPORATE STOCK PURCHASE:

The Board of Directors may purchase a stock certificate, when available, on behalf of the Corporation at a price determined by the Board to be of fair value of the membership, not less than \$50.00, provided that in the event of either a sale of the membership or the purchase thereof by the Corporation the proceeds of such sale shall be first applied to the payment of any indebtedness due the Corporation by the delinquent member.

5. STOCK FORM:

Membership certificates shall be in such form as shall be determined by the Board of Directors.

ARTICLE III
BOARD OF DIRECTORS

1. BOARD'S GENERAL DUTIES:

The business of the Corporation may be handled under the direction of the Board of Directors, by a manager to be elected by a majority vote of the Board, and he shall serve with or without compensation. The manager, with the approval of the Board of Directors, may employ, with or without compensation, such supervisory, clerical or other employees as he may require to effectively operate the business of the Corporation.

2. BOARD MEMBER'S QUALIFICATIONS:

Any person may serve as a Board of Director when duly elected or appointed, provided only he or she be above the age of 21 years and resides in the area served by the Corporation and is a member of the Corporation, however, no elected public official serving for pay in said capacity may serve as a Board of Director. Should a director run for public office while serving as Director and be elected, his tenure as a Director in this Corporation shall terminate upon qualifying for said office elected to, or receiving pay for same. The Board of Directors shall at its next regular meeting

declare a vacancy of that position if said events occur, and appoint a person from that area served by the aforesaid director who shall serve until the next regular annual meeting, at which time, if any year or years remaining for said position, a successor Director shall be voted upon by the membership for the balance of that term of directorship in accordance with these By-Laws.

3. BOARD MEETINGS:

Upon the issuance of the Charter and annually thereafter, on the second Tuesday in January the Board of Directors shall elect a President, a Vice-President, and a Secretary-Treasurer. The Board shall be elected by the members at the members' regular annual meeting provided for herein. The Directors shall serve without pay, but may be compensated for actual expenses by a majority vote of the Directors. Upon the death or resignation of a member of the Board of Directors, a successor shall be appointed by the remaining Board of Directors to serve until the next annual meeting, at which time, if any year or years remaining for said position, a successor Director shall be voted upon by the membership for the balance of that term of directorship in accordance with these By-Laws.

3a. INTERIM BOARD:

The interim Board shall be the Board serving between the effective date of consolidation and the first annual meeting of the Stockholders. The interim Board of Directors shall consist of 7 to 9 members. A majority of said interim board of 7 members may appoint two additional members pending first annual membership meeting. The interim Board, if comprised of 7 shall have a quorum of 4 or more members at its meetings and if said Board be comprised of 9 members, the quorum shall consist of 5 or more.

4. BOARD APPOINTMENT, ZONING AND NOMINATION COMMITTEE:

As soon as practicable after the effective date of the consolidation, the interim Board of Directors shall appoint a districting nomination committee who shall apportion the area into areas as set forth in

these By-Laws and present nomination for all eight areas for directors and for one Director at large. At the first annual meeting of the stock holders all nine (9) positions of directors shall be filled.

5. BOARD TERMS:

At the first meeting of the Board of Directors, thereafter the names of all the duly elected directors shall be placed on a slip of paper and drawn at random from a container. The first three names drawn shall serve for one year, the next three names drawn from the container shall serve for two years, and the next three names shall serve for three years. All directors elected at the annual meeting thereafter shall be for three years, and three Directors are to be elected at each annual meeting for the director terms expiring. A term of a director, except as aforesaid, shall be from the day after the annual meeting for three years continuing through the third annual meeting.

6. DIRECTORS RESIDENCE:

Effective after the first annual meeting, and except for the director at large, each director nominated must reside in the area for which he is nominated.

7. BOARD CORPORATION OFFICERS:

The Board, at its first meeting after each annual meeting, shall elect from its members the officers of the Corporation and define their duties but they shall never have less than Chairman of the Board, Vice-Chairman, Secretary-Treasurer as its officers, but may appoint and designate as many others as it deems necessary and define their duties, except as set forth herein.

8. BOARD MEETINGS:

Special meetings of directors and members may be held with
(a) the unanimous written consent of such directors and/or members, respectively; and
(b) the President shall request in writing that the Secretary-Treasurer give ten (10) days' notice to such special Directors and/or members.

(c) The President, upon demand of one-third (1/3) of the members, shall call a special meeting of the members or Directors, and he may, and shall, upon demand of one-third (1/3) of the Directors, call a special meeting of the directors or membership. Such special meetings shall be held upon giving the notice required in these By-laws. Such notice shall indicate the time, place, and purpose of the meeting, and shall be addressed and mailed to such individuals at their addresses last known to the Corporation.

9. CONDUCT OF ALL MEETINGS:

The President shall preside at all members' and directors' meetings.

10. BOARD NOTICE, TIME, AND PLACE:

Regular meetings of the Board of Directors shall be held at such time and place as the Board may determine at the next previous regular meeting. No further notice to the Directors of such regular meetings shall be required, and it shall be the duty of each director to attend the same without further notice.

11. BOARD MEETING FREQUENCY:

The Board shall meet in the regular session no less than once each month.

12. BOARD ABSENTEEISM AND REPLACEMENT:

In the event any director misses three or more consecutive meetings or if he fails to attend 50% of the meetings of the Board of Directors, the remaining Board, in its discretion, may declare a vacancy in said position and appoint an interim Director to serve ~~until the next annual meeting of the share holders, at which time~~ the position shall be subject to reelection for the balance of that Director's term.

13. REMOVAL OF BOARD MEMBERS BY CHARGES:

Any member may bring charges against an officer or director by filing them in writing with the Secretary, together with a petition signed by ten per centum (10%) of the members, requesting the removal

of the officer or director in question. The removal shall be voted upon at the next regular or special meeting of the members and any vacancy created by such removal may be filled by the members at such meeting. The director or officer against whom such charges have been brought shall be informed in writing of the charges previous to the meeting by the Secretary at least 10 days prior to said meeting to which the charges are to be heard.

ARTICLE IV
ZONING AND NOMINATING COMMITTEE

1. COMMITTEE APPOINTMENT:

The Board of Directors shall at its monthly meeting in March of each year appoint a committee of eight (8), none of whom shall be officers or directors of the Corporation, for the purpose of re-districting the area into eight (8) director areas. Chairman of said redistricting committee shall be the first person named by the Board of said committee appointed at its March meeting each year.

2. COMMITTEE ZONING:

The eight (8) areas shall be drawn off from within the geographic area served by the Corporation in a manner that will reasonably apportion to each area the approximately same number of stock holders and so far as possible to confine one or more communities in their entirety in said geographic area. The areas shall be numbered one through eight.

3. ZONING AND NOMINATION COMMITTEE REPORT:

The redistricting report from said committee together with nominations for the Board of Directors, one from each of the designated areas and one director at large be presented by the Chairman of said committee at the Board of Directors meeting in October of each year.

ARTICLE V
BY-LAWS

1. AMENDMENTS TO BOARD FIRST:

By-laws of this Corporation shall be amended only by a vote of the majority of the members at any regular or called meeting

of same. All proposed by-law changes shall be presented at a previous Directors' meeting and the recommendation of the Board shall be announced by the Secretary at the membership meeting considering the By-law change.

2. AMENDMENT TO MEMBERSHIP:

The By-laws may be altered, amended, or repealed by a vote of majority of the members present at any regular meeting of the Corporation, or at any special meeting of the Corporation called for that purpose.

3. LIMITATION:

Except that the members shall not have the power to change the purposes of the Corporation so as to decrease its rights and powers under the laws of the State, or to waive any requirements of bond or other provisions for the safety and security of the property and funds of the Corporation or its members, or to deprive any member of rights and privileges then existing, or so to amend the By-laws as to effect a fundamental change in the policies of the Corporation.

4. NOTICE:

Notice of any amendment to be made at a special meeting of the members must be given at least ten (10) days before such meeting and must set forth the amendments to be considered.

5. F.H.A. APPROVAL:

For so long as the Corporation is indebted for a loan or loans made to it by the United States of America through the Farmers Home Administration, these By-Laws shall not be altered, amended or repealed without the prior written consent of the State Director of the Farmers Home Administration for the State of Texas.

ARTICLE VI
MEMBERSHIP RIGHTS AND LIMITED LIABILITY

1. RIGHTS TO SERVICE:

Every person (which includes any legal entity) owning or having a legal right to the control, possession or occupancy of

property served or which may reasonably be served by the Corporation shall have the right to become a member of the Corporation upon payment of the membership fee hereinafter provided and upon compliance with the reasonable requirements of the Corporation governing the purchase of water service, charges for connections and operation of and service by the system. Membership shall not be denied because of the applicant's race, color, creed or national origin. It is the intent of the Corporation to provide service on a non-discriminatory basis to all persons desiring service to the extent that the capabilities of the system will reasonably permit. Membership and service may be denied when the additional service requested would prevent the system from providing adequate service.

2. VOTE LIMITATION:

A person may own more than one membership but each member shall be entitled to only one vote regardless of the number of memberships owned.

3. LIMITED LIABILITY:

The private property of the members of the Corporation shall be exempt from execution for the debts of the Corporation and no member shall be individually liable or responsible for any debts or liabilities of the Corporation.

4. RECORD DATE FOR VOTING:

For the purpose of determining members entitled to notice of or to vote at any meeting of members or any adjournment thereof or in order to make a determination of members for any other proper purpose, ownership of membership shall be deemed to be in those persons who are the record owners of memberships as evidenced by the membership transfer book on the 15th day of the month next preceding the month of the date upon which the action requiring such determination is to be taken.

5. VOTING RIGHTS:

Each record member may vote his share of stock when in attendance or said stock may be voted by the spouse of the record holder, provided, no proxy has been executed and filed with the Secretary at said meeting and the record holder be not in attendance.

ARTICLE VII
BILLING AND PENALTIES

1. BILLING:

All members will be billed for water charges on the twenty-fifth (25) day of each month, and bills will be payable before the fifth (5) day of the following month. The manner and frequency in which the meters are read shall be determined by the Board, and the Board of Directors shall have the right to establish such practice in regards to same as is feasible and reasonable as determined by them.

2. PAYMENT PENALTIES:

If payment is made after the fifth (5) but before the tenth (10th) a late charge of ONE DOLLAR (\$1.00) will be made. If payment is not made for water charges or any other indebtedness owing the Corporation by the tenth day of the month after billing, the Corporation may discontinue water services without further notice. In the event a share holders bill becomes delinquent or his charges on the books of the Corporation for as much a \$37.50, the Board of Directors may cause said meter located on the property of the subscriber to be removed and the Secretary directed to cancel the stock subscription as recorded in the stock certificate register of the Corporation and cause the appropriate accounting to reflect a disconnect charge of \$12.50 for the removal of said meter to be applied against the members \$50.00 stock certificate, thereby voiding all interest of said stock holder in the Corporation.

3. EASEMENT PENALTIES:

Any person who refuses to grant an easement to the Corporation when requested across a tract of land owned by that person may never be served by the Corporation with water on that tract of land across which an easement was refused. However, at any time subsequent, if the refusing owner passes title by any means, limitation to supply water to said tract shall be eliminated.

4. CONNECTION VIOLATION:

No member of the Corporation may tie directly into any plumbing or water line of the corporation water system wherever located any water source whatsoever except that supplied by the Corporation, and any such violation brought to the attention of the member not corrected within three (3) days shall be grounds for expulsion from the service by the Corporation.

5. MISCONDUCT:

The Board of Directors may at its sole discretion, with or without notice to a member determine that for conduct detrimental to the Corporation that any such member may be expelled, his stock certificate cancelled, and his \$50.00 membership fee returned to the stock holder less any charges that may be assessed against the member because of damage, water usage, or disconnect charges.

ARTICLE VIII
ANNUAL STOCKHOLDERS MEETING

1. NOTICE:

There will be held an annual stock holders meeting at the place designated by the Board of the Corporation in the notice sent to the members according to these By-Laws. Said meeting shall transact all business that may be properly brought before the Corporation. The Secretary-Treasurer shall give at least fifteen (15) days written notice of such annual meeting to the membership indicating the time,

place and purpose of such meeting, and shall address and mail the notice to each member at his address last known to the Corporation.

ARTICLE IX
AUDIT

1. AUDIT REPORT:

The books and accounts of the Corporation shall be audited by a person competent to perform such audit at least once each year. The reports prepared by such auditor shall be submitted to the members at the annual meeting of such members.

2. FISCAL YEAR:

The fiscal year of the Corporation shall be from January 1st to December 31st.

ARTICLE X
F.H.A. REQUIREMENTS

1. INSURANCE REQUIREMENTS:

For so long as the Corporation is indebted for a loan or loans made to it by the United States of America through the Farmers Home Administration, the Corporation shall insure with a reputable insurance company such of its properties and in such amounts as is required by the State Director of the Farmers Home Administration for the State of Texas.

2. RESERVE:

The Directors of the Corporation shall establish and maintain, so long as the Corporation is indebted to the Government, in a bank within the State of Texas, insured with the Federal Deposit Insurance Corporation, a reserve fund account separate and apart from other fund accounts of the Corporation. There shall be deposited in such fund the sum of \$ _____ per month from the revenues of the Corporation. Such deposits will continue until the total amount deposited equals \$ _____; provided, however, that after any withdrawals,

such deposits shall be resumed until the amount accumulated in the fund is restored to \$ _____.

Withdrawals from this fund shall be made only for emergency repairs, obsolescence of equipment, and for making up any deficiencies in revenue for loan payments. One of the objects of this reserve fund is to assure, during the periods of non-water deliveries or water shortages, the availability of funds equal to the difference between collection from the sale of water and collections that would have been made had the members been able to purchase the quantity of water used normally.

3. INVESTMENT OF EXCESS CASH:

The Directors shall invest all sums in this fund not required to be expended within the year in which the same are deposited, in bonds or other evidence of indebtedness of the United States of America, or they shall deposit said sums at interest in a savings account, in a bank insured with the Federal Deposit Insurance Corporation. Securities so purchased shall be deemed at all times to be a part of the reserve fund account.

4. DEFICIENCY REQUIREMENTS:

If at the end of any fiscal year or in the event of emergency repairs, the Board of Directors determines the total amount derived from the collection of water charges to be insufficient for the payment of all costs incident to the operation of the Corporation's system during the year in which such charges are collected, the Board shall make and levy an assessment against each member of the Corporation, as the Board may determine or as may be required by the Farmers Home Administration, so that the sum of such assessments and the amount collected from water and other charges is sufficient to fully pay all costs of operation, maintenance, replacement and repayments on indebtedness for the year's operations, but this provision shall not operate for the benefit of any third party creditor other

than Farmers Home Administration without a favorable vote of the majority of the members. A proportionate amount of the necessary total of such assessments levied in any year shall be levied against each member in an amount which bears the same relation to the total assessment as the number of service connections supplying such member bears to the total number of service connections with the system of the Corporation.

In the event a member should surrender his membership certificate properly endorsed to the Secretary-Treasurer of the Corporation, his obligation to pay such assessments shall be limited to assessments made and levied prior to the date of surrender of his membership certificate; provided, however, that this paragraph and the last sentence of paragraph next above shall not apply to relieve a member of his obligation under special agreements covering multiple membership certificates held by one member which may have been required or approved by the Farmers Home Administration.

5. DIVIDENDS:

The Corporation shall conduct its business on a non-profit basis, and no dividends shall ever be paid upon the memberships of such Corporation; however, all profits arising from the operation of such business shall be annually paid out to the persons who have, during the past year, transacted business with such Corporation, in direct proportion to the amount of business transacted, provided that no such dividends shall ever be paid while any indebtedness of the Corporation remains unpaid.

ARTICLE XI
SEAL

1. SEAL:

The seal of the Corporation shall consist of a circle within which shall be inscribed "The Consolidated Water Supply Corporation."

The above By-Laws and REGULATIONS were unanimously adopted by

the Board of Directors of The Consolidated Water Supply Corporation
at a meeting in the _____ on the _____ day of
_____, A. D. 19_____.

Secretary-Treasurer