

**PLAN OF MERGER
PROPOSAL**

This PLAN OF MERGER (hereinafter referred to as the “Plan” or “Agreement”) is entered into as of the date below written, by and between MANVILLE WATER SUPPLY CORPORATION (hereinafter “Survivor” or “Manville”), a Texas Non-Profit Corporation and retail public water utility, and NOACK WATER SUPPLY CORPORATION, a Texas Non-Profit Corporation and retail public water utility, (hereinafter “Noack”), the parties sometimes being hereinafter collectively referred to as the “Constituent Entities”).

RECITALS

WHEREAS, Each of the Constituent Entities are member owned Texas non-profit corporations with members having voting rights, and governed by their respective Board of Directors; and

WHEREAS, Manville is the holder of water Certificate of Convenience and Necessity No. 11144. Noack is the holder of water Certificate of Convenience and Necessity No.12359; and

WHEREAS, each of the Constituent Entities, by vote of more than two-thirds of their respective membership and by their respective boards of directors have determined that the merger of Manville and Noack (the “Merger”) upon the terms and subject to the conditions set forth in this Plan is advisable and in the best interest of said corporations and have approved the Merger; and

WHEREAS, the Constituent Entities and their respective Boards of Directors deem it essential to the consummation of the Merger that each entity and the resulting survivor maintain in full force and effect their exempt status from federal taxation under Internal Revenue Code Section 501-(c) -12; and

NOW THEREFORE, in consideration of the premises and of the mutual agreements of the parties hereto, being thereunto duly entered into by Noack and approved by resolution of its Board of Directors and, at a regularly scheduled meeting of its members, after due and lawful notice by a two-thirds majority of a quorum of its membership, and being thereunto duly entered into by Manville and approved by a resolution adopted by its Board of Directors and , at a regularly scheduled meeting of its members, after due and lawful notice, by a two-thirds majority of a quorum of its membership, this Plan of Merger and the terms and conditions thereof and the mode of carrying the same into effect, together with any provisions required or permitted to be set forth herein, are hereby determined and agreed upon by the Constituent Entities as hereinafter in this Agreement set forth.

ARTICLE I

The Merger and Effective Date

1.1. The Merger. The merger will be effected pursuant to the terms and conditions set forth in this Plan. Upon approval of this Plan of Merger by the Public Utility Commission of Texas and the transfer of the Noack Certificate of Convenience and Necessity (CCN) to Manville, and upon approval of the terms of this Plan by the United States Department of Agriculture-Rural Development and by the Secretary of State of Texas, this Merger shall be deemed fully effected and the separate corporate existence of Noack shall thereupon cease. Manville shall be the surviving corporation from and after the Effective Date of the Merger (sometimes hereinafter referred to as the “Surviving Corporation”), and the separate corporate existence of the Manville with all its rights, privileges, immunities, powers and franchises shall continue unaffected by the Merger pursuant to the provisions of the Texas Business Organizations Code (“BOC”). At the Effective Date of the Merger, Manville will succeed to all the properties and assets of Noack, its CCN, and to all debts, causes of action and other interests due or belonging to Noack and will be subject to, and responsible for, all the debts, liabilities and duties of Noack, and for the provision of continuous and adequate water utility service within the Noack service area and to its former members. All real property, easements, and utility

infrastructure shall be conveyed to Manville by Noack by warranty deed.

1.2. Effective Time. Upon approval of the merger and the transfer of CCN by the Public Utility Commission of Texas and by the United States Department of Agriculture – Rural Development, Manville shall cause a certificate of merger (the “Certificate of Merger”) to be executed, acknowledged and filed with and accepted for record by the Secretary of State of Texas as provided in the Texas Business Organizations Code. The Merger shall become effective at the time agreed by the Constituent Entities and established under the Certificate of Merger filed with the Texas Secretary of State.

ARTICLE II

Charter, Bylaws Tariff and Rates of the Surviving Corporation

2.1. The Charter. The charter of Manville as in effect immediately prior to the Effective Date shall be the Charter of Manville as the surviving corporation (the “Charter”), until duly amended as provided therein or by applicable law.

2.2. The Bylaws. The bylaws of Manville as in effect at the Effective Date shall be the bylaws of Manville as the surviving corporation (the “Bylaws”), until thereafter amended as provided therein or by applicable law.

2.3. Tariff and Rates. The Tariff of Manville and the rates, fees and charges of Manville set out therein and in effect at the Effective Date shall be the tariff, rates, fees and charges of Manville as the surviving corporation, and shall be applicable to the former members of Noack until thereafter amended as provided therein or by the bylaws of Manville or by applicable law.

ARTICLE III

Officers and Directors of the Surviving Corporation

3.1. Directors. The directors of Manville at the Effective Date shall, from and after the Effective Time, be the directors of the Surviving Corporation until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Charter and the Bylaws.

3.2. Officers. The officers of Manville at the Effective Time shall, from and after the Effective Time, be the officers of the Surviving Corporation until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Charter and the Bylaws.

ARTICLE IV

Membership

4.1. Members. Members of Noack on the Effective Date shall, without further action by either of the Constituent Entities, become members of Manville.

ARTICLE V

Approvals and Authorization

5.1. Approvals. This Plan of Merger has been fully approved and adopted on behalf of the Constituent Entities in accordance with the provisions of the BOC and the said corporations agree that they will cause to be executed and filed and recorded any document or documents prescribed by the State of Texas or any agency thereof, and that they will cause to be performed all necessary acts within the State of Texas and elsewhere to effectuate the Merger herein provided for.

5.2. Authorization. The Board of Directors and the proper officers of the Constituent Entities are hereby authorized and empowered and directed to do any and all acts and things, and make, execute, deliver, file, and record any and all instruments, papers and documents which shall be or become necessary, proper or convenient to carry out or put into effect any of the provisions of the Plan of Merger or of this merger herein provided for. For purposes of this Section, the Board of Directors of Noack shall remain in existence after the Effective Date for the limited purpose of causing this Section 5.2 to be fully implemented.

ARTICLE VI
Conditions to the Merger

6.1. Conditions to the Obligations of the Constituent Entities. The obligations of the Constituent Entities to consummate the Merger are subject to the satisfaction at or prior to the Effective Date of the following conditions, any or all of which may be waived, in whole or in part, by each of the parties intended to benefit there from, to the extent permitted by applicable Law:

(a) no Governmental Authority (as hereinafter defined) shall have enacted, issued, promulgated, enforced or entered any Law or Order (whether temporary, preliminary or permanent) which is in effect and which has the effect of making the Merger illegal or otherwise prohibiting consummation of the Merger; and

(b) all actions by or in respect of or filings with any governmental authority, including, without limitation, public utility regulatory authorities, required to permit the consummation of the Merger shall have been obtained.

(c) Any and all litigation to which Noack is a party shall, prior to the Effective Date be fully and finally dismissed, or otherwise resolved in a manner satisfactory to the Board of Directors of Manville.

(d) All funds of Noack, including funds on deposit, accounts receivable, membership fees, capital recovery or impact fees, or deposits of any description shall have been transferred to Manville.

(e) During the pendency of any approval proceeding before the Public Utility Commission of Texas, Noack shall incur no debt, shall sell or encumber no assets, and shall make no expenditures outside the ordinary course of business without the approval of the Manville Board of Directors. Noack shall maintain all its infrastructure in a satisfactory operating condition, and in compliance with the rules and regulations of the Texas Natural Resource Conservation Commission and the Public Utility Commission of Texas.

(f) During the pendency of any approval proceeding before the Public Utility Commission of Texas, Manville through its staff and representatives shall have full and complete access to the financial records of Noack, and to the Noack water system, for the purpose of audit or inspection during ordinary business hours.

(g) No part of this merger process may cause Manville as the surviving entity to lose, limit or impair its tax exempt or charitable status under the Internal Revenue Code.

ARTICLE VII
Termination

7.1. Termination by Mutual Consent. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Date, or such earlier time as may be prescribed by law, by mutual consent, or at the option of Manville.

7.2. Effect of Termination. If this Agreement is terminated pursuant to Section 7.1 hereof, this Agreement shall become void and of no effect with no liability on the part of any party hereto.

ARTICLE VIII
Miscellaneous

8.1. Amendments. Any provision of this Agreement may be amended or waived prior to the Effective Date if, and only if, such amendment or waiver is in writing and signed by all parties hereto, or in the case of a waiver, by the party against whom the waiver is to be effective. Any such amendment shall require regulatory approval.

8.2. Waiver. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

8.3. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the

parties hereto and their respective successors and assigns, provided that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other parties hereto and regulatory approval.

8.4. Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only as broad as is enforceable.

8.5. Captions. The captions contained in this Agreement are for reference purposes only and are not part of this Agreement.

8.6 Venue for all proceedings arising out of this Plan shall lie in Williamson County, Texas.

8.7 During the pendency of any approval proceeding arising out of this Plan, the parties may, by separate written agreement enter into a management agreement whereby Manville may operate and manage Noack, under such terms, conditions, and compensation as the respective Boards of Directors may agree upon.

IN WITNESS WHEREOF, this Plan of Merger is hereby executed upon behalf of each of the parties thereto, in any number of counterparts, each of which shall be an original.

Dated: _____

MANVILLE WATER SUPPLY CORPORATION

By: _____

Name:

Title: President

NOACK WATER SUPPLY CORPORATION

By: _____

Name:

Title: President

