

**RESOLUTION ADOPTING PROCEDURAL RULES OF DEL LAGO ESTATES  
WATER SUPPLY CORPORATION'S ANNUAL MEETING OF MEMBERS**

THE STATE OF TEXAS §  
COUNTY OF MONTGOMERY §  
DEL LAGO ESTATES WATER SUPPLY CORPORATION §

WHEREAS, Del Lago Estates Water Supply Corporation (the "Corporation") is a non-profit, member-owned, member-controlled water supply corporation incorporated under the provisions and definitions of Chapter 67, Texas Water Code, as amended, and the Texas Non-Profit Business Corporation Act, Article 1396.101 et. seq., Texas Civil Statutes, as amended; and

WHEREAS, Article 7, Section 2 of the By-Laws of the Corporation (the "By-Laws") and Section 67.007(b), Texas Water Code, state that the Board of Directors (the "Board") of the Corporation shall adopt written procedures for conducting the annual meeting of the members and any special meeting of the members; and

WHEREAS, the Board of the Corporation has determined that in order to comply with the By-Laws and Section 67.007(b), Texas Water Code, it is necessary to adopt procedural rules of the Corporation (the "Procedural Rules") for conducting the annual meeting of the members and any special meeting of the members.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF DEL LAGO ESTATES WATER SUPPLY CORPORATION, THAT:

SECTION 1: ANNUAL MEETING. The annual meeting of members for the election of directors and for the transaction of all other business which may come before the meeting shall be held on the last Thursday of April in each year (if not a legal holiday and, if a legal holiday, then on the next business day following) at the hour specified in the notice of meeting. In no event shall the meeting be before January 1 or later than April 30 of any year. The annual meeting of members may be held for any other purpose in addition to the election of directors that may be specified in a notice of such meeting. The meeting may be called by resolution of the Board or by a written request filed with the Secretary, signed either by a majority of the directors or by a majority of the members entitled to vote at any such meeting.

SECTION 2: NOTICE. Written notice of the annual meeting of members shall be sent to all eligible members stating the proposed agenda, location and date of the meeting.

SECTION 3: QUORUM OF MEMBERS. The actual number of members entitled to vote, appearing in person or presented by proxy, at the meeting at which a noticed vote is to be conducted shall constitute a quorum for the transaction of business. The vote of the majority of the members present at a meeting at which a quorum is present shall be the act of the members.

SECTION 4: CONDUCT OF MEETING. The President shall preside at the annual meeting. In the absence of the President, the Vice President shall preside. The Board shall determine the order of business.

SECTION 5: VOTING. Except for the exercise of duly authorized proxies of other members as provided herein, each member shall be entitled to only one (1) vote on each matter submitted to a vote at a members' meeting regardless of the number of memberships held by the member. For purposes of voting, there may be only one (1) member per each qualifying household.

SECTION 6: NOMINATION AND ELECTION OF DIRECTORS. The number of directors of the Board shall be three (3), provided that the number may be increased and if there are ever more than three (3) directors, may be decreased from time to time by an amendment to the Corporation's By-Laws, approved by vote of the members.

The directors shall be divided into three (3) classes such that one-third of the directors (one (1) director) shall stand for election in one year; the second one-third of directors (one (1) director) shall stand for election in the second year; and the remaining one-third of directors (one (1) director) shall stand for election in the third year. One (1) director of the Board will be elected by the members at the first annual meeting and the two (2) temporary directors will remain temporary directors. In each of the following two (2) consecutive years the two (2) remaining directors shall be elected by the members. Each director shall serve a term of three (3) years unless otherwise removed as provided by the By-Laws. There shall be no limit to the number of consecutive terms to which a director may be elected.

Any member present at the annual meeting may nominate him or herself or another member for the position of director. Nominations shall be made at the meeting from the floor. Once nominations have been closed by the presiding officer, members who are present and those voting by proxy shall cast their votes by writing the desired nominee's names on a ballot such as the one provided to the members with the notice of the annual meeting. Each member voting shall be able to cast one vote for each of open director positions. Members may not accumulate their votes for one nominee. When all ballots have been cast, the Corporation's attorney shall tally the votes and determine those persons receiving the highest number of votes for the number of positions open.

SECTION 7: APPROVAL OF PROXY AND BALLOTS. Prior to the annual meeting, the Board shall approve the form of the proxy to be used by the members at the annual meeting. The approved proxy and ballot shall be included with the notice of the annual meeting. Only the approved proxy and ballot may be used for the purpose of voting.

SECTION 8: VALIDATING ELIGIBLE VOTERS, PROXIES, BALLOTS AND ELECTION RESULTS. The Corporation's attorney shall be responsible for validating the eligibility of the voters attending the meeting, the executed proxies, the returned ballots and the election results.

- A. Voting Eligibility. To be eligible to vote, the person must be a member of the Corporation prior to the 15th day of the month preceding the annual meeting date. The member must be current on all monies owed to the Corporation, including water service fees and membership dues, with no outstanding debts owed to the Corporation for more than sixty (60) days. To be eligible to vote at the annual meeting, the member must sign in at the meeting and provide proper identification.

- B. Proxy. For a proxy to be valid, it must be signed by the member and fully complete. The proxy must be returned prior to the annual meeting by forwarding it to the Corporation's Registered Office, Johnson Radcliffe Petrov & Bobbitt PLLC, 1001 McKinney, Suite 1000, Houston, Texas 77002, or to one of the officers of the Corporation's Board specified.
- C. Ballots. In order for a member's vote to be tabulated, the vote must be cast on the official ballot approved and provided by the Board.
- D. Election Results. Only those votes cast on an official ballot or on a properly executed proxy may be used to determine election results. After the Corporation's attorney has tabulated the votes during the course of the annual meeting, the results of the election will be announced.

APPROVED and ADOPTED this 27th day of April, 2006.

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President, Board of Directors

ATTEST:

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Secretary, Board of Directors

(CORPORATION SEAL)