ORIGINAL NEW APPLICATION

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Arizona Corporation Commission
DOCKETED
JUN 12 2009
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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ADAMAN MUTUAL WATER COMPANY FOR APPROVAL TO ISSUE STOCK

Docket No. W-01997A-09-0313

FIRST AMENDED APPLICATION FOR APPROVAL TO ISSUE STOCK PURSUANT TO THE AGREEMENT AND PLAN OF REORGANIZATION

Adaman Mutual Water Company ("Adaman"), an Arizona non-profit corporation, pursuant to Ariz. Rev. Stat. ("A.R.S.") §§ 40-301 and 40-302, submits this Amended Application requesting the Commission's approval of Adaman's Agreement and Plan of Reorganization, as amended, (the "Plan of Reorganization"), to be effective as of January 1, 2010,[1] and the approval of Adaman's issuance of 2,486.68 shares of common stock in conjunction with Adaman's Plan of Reorganization as a for-profit Arizona corporation. (A true

[1]Adaman requests that the order issued by the Commission approving the Plan of Reorganization be effective as of January 1, 2010, in order to avoid filing two tax returns for 2009, and to simplify accounting and financial record keeping. If the Commission's order were to become effective during 2009, Adaman would have a short tax year as a non-profit corporation and a short tax year as a for-profit corporation.

and correct copy of the Plan of Reorganization and First Amendment thereto are attached hereto as Exhibit A.). In support of this Application, Adaman provides the following information:

1. **Stock Will Be Issued for Lawful Purposes**

Adaman was incorporated in Arizona on November 23, 1943, and is currently a non-profit corporation qualifying as a tax-exempt mutual organization under Section 509(c)(12) of the Internal Revenue Code of 1986, as amended (the "Code"). Adaman was initially organized primarily for the purpose of providing water for the domestic, municipal, and industrial use of its member owners. Adaman now desires to reorganize pursuant to the Plan of Reorganization, and the provisions of Section 368(a)(1)(E) of the Code to become a taxable, for-profit "C" corporation. Adaman is being reorganized to take advantage of lawful, but taxable, business opportunities that will benefit its members by one or more of the following: (1) allowing lower-cost water service (including the funding and payment for arsenic water treatment facilities that without the Plan of Reorganization, would be very expensive for its members); (2) allowing distribution of dividends; and (3) allowing distribution of proceeds to members from any condemnation of Adaman's water delivery system.

2. **Stock Issuance is within Adaman's Corporate Powers**

Under A.R.S. §§ 10-11001 and 10-11003, a non-profit corporation's board of directors and members may amend its articles of incorporation at any time, with the approval of the members by two thirds of the votes cast or a majority of the voting power. Arizona has recognized the validity of a corporation effecting its own reorganization without being reincorporated. *See* Op. Att'y Gen. 62-55-L (1962). The Attorney General has stated that where Arizona statutes give corporations the right to amend their articles of incorporation, if the articles of incorporation of a for-profit corporation are amended to conform with the statutory requirements of a non-profit corporation, such a corporation will become a legally constituted non-profit corporation. *See* id. Thus, it is also well within a non-profit corporation's power to amend its articles of incorporation to conform to the statutory requirements of a for-profit corporation. *See* A.R.S. §§ 10-11001 and 11003.

Accordingly, on April 7, 2009, Adaman's members approved the Plan of Reorganization pursuant to the provisions of Section 368(a)(1)(E) of the Code to convert from a non-profit, tax exempt corporation to a taxable "C" corporation. *See* Exhibit A. Adaman's members also approved the First Amendment to Agreement and Plan of Reorganization, which conditions the implementation of the Plan of Reorganization on obtaining the Commission's approval of this Application. *See* Exhibit A.

Approval of the Plan of Reorganization also resulted in the approval and adoption of Amended and Restated Articles of Incorporation for Adaman under A.R.S. § 10-11003. (A true and correct copy of the Amended and Restated Articles of Incorporation are attached hereto as Exhibit B). The Amended and Restated Articles of Incorporation properly conform to Arizona's statutory requirements of a for-profit corporation. *See* Exhibit B. Pursuant to Adaman's Amended and Restated Articles of Incorporation, Adaman may, in addition to providing water service to its members, transact any other business permitted by law. *See* Exhibit B. Furthermore, the Amended and Restated Articles of Incorporation authorize Adaman's Board of Directors to issue up to 10,000,000 shares of common stock. *See* Exhibit B. Thus, Adaman has the requisite corporate power to issue 2,486.68 shares of common stock upon the approval of this Application by the Commission.

3. **Stock Issuance is Compatible with Public Interest**

The approved Plan of Reorganization provides for the exchange of voting membership interests in the company for the common stock of Adaman. Adaman's members currently hold non-profit voting membership interests in the corporation. Each member's interest is equal to the number of acres of real property the member owns within Adaman's service area. Currently, there are 2,486.68 voting membership interests outstanding. Pursuant to the Plan of Reorganization, each member's interest will be deemed to have been exchanged for the common stock of Adaman that is equal to the number of whole and fractional acres each member owns within Adaman's service area. The common stock will be owned proportionally to each shareholder's ownership of land within the Adaman service area, just as current voting membership interests are proportional to ownership of land within the Adaman service area.

If the Plan of Reorganization is approved by the Commission, Adaman will issue 2,486.68 shares of common stock in exchange for the automatic surrender and cancellation of the voting membership interests. Additionally, just as current Adaman voting membership interests may only be transferred in connection with the sale of land, Adaman common stock will only be transferable in conjunction with the sale of the underlying land. Thus, Adaman common stock will not be sold or transferred separately from the underlying land, and will transfer automatically upon sale or transfer of the land. Implementing the Plan of Reorganization and issuing 2,486.68 shares of common stock accordingly will provide the Adaman members with a continuity of their interests and expectations with respect to the rights and obligations associated with ownership of land within the service area.

In its present form, Adaman cannot sell water at wholesale to entities outside of the Adaman service area. The reorganization will also permit Adaman to sell water to third parties in exchange for a new federally-mandated arsenic treatment plant. Without this exchange, in order to obtain the necessary plant, equipment and installation to meet federal arsenic water quality standards, Adaman would be required to increase substantially the cost of water to its members. In addition, the wholesale sales will provide Adaman with additional cash flow that is unrelated to its retail sales that should improve Adaman's ability to provide lower-cost water service and/or dividends to its members.

Furthermore, in its present form, if all or part of Adaman's service area is condemned, members cannot benefit from condemnation proceeds. Moreover, existing non-profit law would forbid Adaman from distributing those proceeds to its members. Under the Plan of Reorganization, however, if any of Adaman's facilities are condemned, Adaman would have the ability to distribute condemnation payments to shareholders, if appropriate.

The approval of Adaman's Plan of Reorganization will not require that Adaman incur any debt and will not adversely affect Adaman's ability to render service to members within its service area. In fact, by changing its form of organization, Adaman anticipates that it will be able to finance its activities and provide better service and rates than it could otherwise provide

to persons living within its service area. Implementing the Plan of Reorganization will vest Adaman with the power to accomplish these objectives.

The Plan of Reorganization has been approved by an overwhelming majority of Adaman's members.[2] Without this change, Adaman would be faced with meeting the cost of compliance with federal arsenic water quality standards without the means to do so, other than by significantly increasing rates to members. Furthermore, the Plan of Reorganization protects Adaman's members in the event of future condemnation.

Therefore, approval of the Plan of Reorganization and Adaman's issuance of common stock pursuant to the Plan of Reorganization is compatible with public interest because it will: (1) protect Adaman members' interests and expectations with regard to land ownership within the service area; (2) help keep rates low for Adaman members or provide them with dividends; (3) allow Adaman to supply water to third parties to reduce operating costs; and (4) protect its members in the event of future condemnation.

4. **Sound Financial Practices Will Continue**

During and after the reorganization, Adaman will continue to conduct its business in compliance with sound financial practices and with the Commission's accounting requirements, including through the employment of qualified legal and accounting professionals to assist Adaman with such compliance.

5. **Stock Issuance is Proper for Adaman's Performance of Water Service as a Public Service Corporation and Will Not Impair Adaman's Ability to Deliver Water Service**

The issuance of stock will not result in a diminution of water service within Adaman's service area. Adaman will continue to be controlled by those it serves (and in the same proportions as presently exist), and will retain as its primary purpose the service of water to its

[2] Of a total of 1718.66 votes cast, the Plan of Reorganization was approved by 1629.46 votes, with 81.11 votes against it and 130.2 votes abstaining.

shareholders. Adaman believes the stock issuance pursuant to the reorganization will result in *improved* water service to its members, by allowing for enhanced revenues, low rates, and improved infrastructure.

6. **Stock Issuance Pursuant to the Plan of Reorganization is Reasonably Necessary or Appropriate**

Stock issuance pursuant to the Plan of Reorganization is reasonably necessary or appropriate for the purpose of implementing the Plan of Reorganization. Without the stock issuance, Adaman cannot complete the reorganization and is likely to be required to substantially increase rates to pay for the federally-mandated arsenic treatment plant. In addition, Adaman could not pursue opportunities to enhance revenue, improve infrastructure, keep rates low and protect its shareholders from loss in the event of possible future condemnation.

7. **Stock Issuance for the Purpose of Completing Adaman's Reorganization is Not Reasonably Chargeable to Operative Expenses or to Income**

Adaman's issuance of stock pursuant to the Plan of Reorganization will not be charged against operational expenses or to income. The exchange of Adaman's membership interests for shares of common stock will not, in and of itself, generate proceeds to be applied for the purpose of implementing the reorganization. Furthermore, issuance of stock will not create any indebtedness. As such, the issuance of stock for the purpose of implementing the Plan of Reorganization will not be chargeable to operational expenses or to income.

8. **Order of Approval Requested**

For all the reasons stated above, Adaman hereby requests the Commission's approval of Adaman's Plan of Reorganization and requests an order to be effective as of January 1, 2010: (i) approving the Plan of Reorganization; (ii) approving the issuance of 2,486.68 shares of Adaman common stock in exchange of non-profit membership interests pursuant to Adaman's Plan of Reorganization; (iii) finding that the issuance of Adaman common stock is reasonably necessary or appropriate for such purposes; and (iv) finding that such purposes are not, wholly or in part, reasonably chargeable to operative expenses or to income.

DATED this 12 day of June 2009.

RYLEY CARLOCK & APPLEWHITE

By _____
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Attorneys for Adaman Mutual Water Company

An original and thirteen copies of the foregoing filed this 12th day of June 2009 with:

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, Arizona 85007

By _____

A

AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION ("Agreement"), is entered into as of the 7th day of April, 2009, by and between Adaman Mutual Water Company, an Arizona nonprofit corporation (the "Corporation") and the members of the Corporation ("Members").

Recitals

A. The Corporation was incorporated on November 23, 1943, as a nonprofit corporation under the laws of the state of Arizona.

B. The Corporation's primary purpose is to construct and operate a water distribution system for the delivery of water to its Members. The land described below, and any additional property annexed by the Corporation in accordance with the Corporation's Articles of Incorporation, Bylaws and any rules or regulations adopted by the Corporation, less any property condemned by applicable governmental authority or otherwise removed from its service areas, shall be known as the Adaman Reclamation Project. The Members currently own interests in the Corporation in proportion to the number of acres of real property within the following described area.

> The East Half of Section 1, 12 and 13, Township 2 North, Range 2 West, of the Gila and Salt River Base and Meridian, and Sections 6, 7 and 18, Township 2 North, Range 1 West, of the Gila and Salt River Base and Meridian, in Maricopa County, Arizona, containing 2,880 acres more or less, except any and all parcels owned by the federal government (hereinafter, the foregoing area is referred to as the "Project").

C. The Corporation has filed tax returns as a tax-exempt mutual irrigation organization under Section 509(c)(12) of the Internal Revenue Code of 1986 (the "Code"), as amended.

D. The Board of Directors of the Corporation has determined that due to changes in the manner in which the Corporation conducts its business, the Corporation will likely lose its status as a tax-exempt organization, and that the Corporation would better serve the interests of its Members by reorganizing pursuant to the provisions of Section 368(a)(1)(E) of the Code to become a taxable "C" corporation.

E. Accordingly, the Board of Directors has determined that it is in the best interest of the Corporation and its Members to submit this Agreement to the Members for their consideration and action.

F. At the Effective Time of this Agreement, the Membership Interests in the Corporation held by the Members will be automatically converted to shares of the Corporation's no par value Common Stock (the "Shares") in accordance with the terms and conditions of the Amended and Restated Articles of Incorporation attached hereto as Exhibit A, so that each

Member shall receive in uncertificated form, that number of shares of Common Stock that are equal to the number of whole and fractional acres (rounded to two decimal places) of real property owned by such Member within the Project, and the Membership Interest shall be extinguished.

G. This Agreement does not affect any rights of members of the Adaman Irrigation Water Delivery District.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and in the Exhibits hereto, the Corporation and the Members hereby agree as follows:

Agreement

1. ***Amendment of Articles of Incorporation***. Upon approval of this Agreement by a two thirds (2/3) majority of votes cast by the Corporation's Members, the Members shall be deemed to have approved and authorized the filing of the Amended and Restated Articles of Incorporation attached hereto as Exhibit A. Such Amended and Restated Articles of Incorporation shall be executed by the President and Secretary of the Corporation, and shall be filed with the Arizona Corporation Commission ("ACC") promptly following approval of this Agreement by the Members. Such Amended and Restated Articles of Incorporation shall be the Corporation's Articles of Incorporation until such time as such Articles are fully amended.

2. ***Amendment of Bylaws***. At the Effective Time, the Corporation's Second Amended and Restated Bylaws, attached hereto as Exhibit B, shall constitute the Bylaws of the Corporation, and the approval of this Agreement by a two thirds (2/3) majority of the Members' votes cast shall constitute the Members' ratification of the Amendment and Restatement of the Bylaws.

3. ***Board of Directors***. At the Effective Time, the duly elected members of the Board of Directors shall continue to be the directors of the Corporation, and shall continue to serve for the term set forth in the Corporation's Bylaws until their successors are duly qualified and elected.

4. ***Effective Time***. This Agreement shall become effective upon the last to occur of: (i) approval of this Agreement by the Board of Directors of the Corporation; (ii) approval of this Agreement by a two thirds (2/3) majority of the votes cast by the Members of the Corporation; or (iii) the filing of the Amended and Restated Articles of Incorporation with the ACC (the "Effective Time").

5. ***Name***. At the Effective Time, the name of the Corporation shall continue to be Adaman Mutual Water Company.

6. ***Exchange of Membership Interests for Common Stock***. At the Effective Time, without any action on the part of any Member or of the Corporation, each issued and outstanding Membership interest in the Corporation shall be deemed to have been exchanged for that number of shares of Common Stock specified in the Amended and Restated Articles of Incorporation so that each former Member of the Corporation shall become the owner of that number of shares of Common Stock that is equal to the number of whole and fractional acres (rounded to two

decimal places) such Member owns within the Project. For example, at the Effective Time, a Member who owns 5.65 acres in the Project shall become the owner of 5.65 shares of Common Stock. Upon exchange of each Membership Interest for the shares of Common Stock, the Membership Interest shall be cancelled and extinguished.

7. ***Uncertificated Shares.*** The Shares of Common Stock issued to each Member in exchange for the Membership Interests shall not be certificated, and shall be reflected only upon the books and records of the Corporation.

8. ***Ownership of and Restrictions on Transfer of Shares.*** The shares of Common Stock issued by the Corporation may be owned only by persons who own real property within the Project. The shares of Common Stock attributable to real property located within the Project shall be transferred only upon transfer of title to the real property with which the shares of Common Stock are associated. Transfer of ownership of the shares of Common Stock shall be effected automatically upon conveyance of all or a portion of any real property owned by the shareholder. Any transfer or attempted transfer of the shares of Common Stock, unless made simultaneously in connection with a conveyance of real property within the Project with which the shares of Common Stock are associated, shall be of no force or effect for any purpose, and shall confer no rights on the transferee to whom such transfer is made, and any such transfer shall be void. Preferred Stock may be issued to persons without regard to whether they own real property within the Project.

9. ***Properties, Rights, Privileges and Obligations.*** Following the Effective Time, all of the real and personal property of the Corporation; all debts due to any creditor of the Corporation; all claims, demands, property, rights, privileges, powers, and franchises of the Corporation; and every other interest of the Corporation, shall be preserved and unimpaired, and shall continue to be owned by the Corporation, subject to such liabilities and liens as presently exist. All debts, liabilities, and duties of the Corporation shall continue to exist and may be enforced against the Corporation to the same extent as prior to the Effective Time.

10. ***Abandonment.*** At any time prior to the filing of this Agreement and the Amended and Restated Articles of Incorporation with the ACC, the Board of Directors, by a vote of a Majority of the Directors, may either terminate or abandon this Agreement.

11. ***Taxable C Corporation.*** Upon the Effective Time, the Corporation shall cease to be a tax-exempt corporation and shall become a for-profit corporation, taxable as such under Subchapter C of the Code.

12. ***Plan of Reorganization.*** This Agreement constitutes a Plan of Reorganization to be carried out in the manner and on the terms, and subject to the conditions set forth in Section 368(a)(1)(E) of the Code, and the regulations issued thereunder, and shall constitute a tax-free reorganization as contemplated thereby.

13. ***Further Action.*** Upon approval of this Agreement by the Board of Directors of the Corporation and a two thirds (2/3) majority of the Members' votes cast, the Corporation's officers are authorized and directed to take any and all action necessary or appropriate to

implement and carry out the terms and conditions of this Agreement and to make such filings with such governmental agencies as may be necessary.

14. ***Conflicting Language.*** Any conflict between the language of this Agreement and that of the Amended and Restated Articles of Incorporation attached hereto as Exhibit A, the Amended and Restated Articles of Incorporation shall govern.

15. ***Counterparts.*** This Agreement may be executed in counterpart and, when so executed, such counterparts shall constitute a single, binding agreement.

16. ***Exhibits.*** The exhibits attached hereto are incorporated herein by this reference and shall constitute part of this Agreement.

This Agreement was APPROVED and EXECUTED by the Members of the Corporation Mutual Water Company as of the date first written above.

Adaman Mutual Water Company:

By:_____
Henry Conklin, President

By:_____
Charla M. Seitz, Secretary

Certificate of Secretary

The undersigned, the duly elected Secretary of Adaman Mutual Water Company, an Arizona corporation, hereby attests that the foregoing Agreement and Plan of Reorganization was adopted by the Members of the Corporation at a duly noticed annual meeting of Members held at Scott Libby Elementary School in the County of Maricopa, Arizona, on April 7, 2009, at which meeting 1661.89 members of a total membership of 2486.68 voted to approve the Agreement and Plan of Reorganization, 63.44 members of a total membership of 2486.68 voted not to approve the Agreement and Plan of Reorganization, and 38.09 members abstained.

By:_____
Charla M. Seitz, Secretary

B

FIRST AMENDMENT TO AGREEMENT AND PLAN OF REORGANIZATION

THIS FIRST AMENDMENT TO AGREEMENT AND PLAN OF REORGANIZATION ("First Amendment") is entered into as of the 7th day of April, 2009, by and between Adaman Mutual Water Company, an Arizona nonprofit corporation (the "Corporation") and the members of the Corporation ("Members").

Recitals

A. The Corporation was incorporated on November 23, 1943 as a nonprofit corporation under the laws of the State of Arizona.

B. The Corporation and the Members entered into that certain Agreement and Plan of Reorganization effective as of April 7th, 2009 ("Agreement"), pursuant to which the Corporation converted from a nonprofit to a for-profit corporation.

C. The Corporation and the Members wish to amend the Agreement pursuant to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises set forth in this First Amendment, the Corporation and the Members hereby agree as follows:

Amendment

1. Effective Time. Section 4 of the Agreement is deleted in its entirety and the following substituted therefore:

> 4. ***Effective Time.*** This Agreement shall become effective upon the last to occur of: (i) approval of this Agreement by the Board of Directors of the Corporation; (ii) approval of this Agreement by a two thirds (2/3) majority of the votes cast by the Members of the Corporation; (iii) the filing of the Amended and Restated Articles of Incorporation with the ACC, or (iv) approval of this Plan and the transactions contemplated hereby by the ACC; provided that in no event shall the Plan become effective, unless an order is entered by the ACC, as required by law, authorizing the Plan and the transactions contemplated hereby (the "Effective Time").

2. Effect of First Amendment. Unless otherwise defined in this First Amendment, all capitalized terms shall have the same meaning set forth in the Agreement. All terms and conditions of the Agreement which are not contrary to this First Amendment, shall remain in full force and effect, and are incorporated herein by this reference. This First Amendment shall control over any contrary or inconsistent terms in the Agreement.

This First Amendment was APPROVED and EXECUTED by the Members of the Corporation as of the date first written above.

Adaman Mutual Water Company:

By: _____
Henry Conklin, President

By: _____
Charla M. Seitz, Secretary

Certificate of Secretary

The undersigned, the duly elected Secretary of Adaman Mutual Water Company, an Arizona corporation, hereby attests that the foregoing First Amendment to Agreement and Plan of Reorganization was adopted by the Members of the Corporation at a duly noticed annual meeting of Members held at Scott Libby Elementary School in the County of Maricopa, Arizona, on April 7, 2009, at which meeting 1661.89 members of a total membership of 2486.68 voted to approve the First Amendment to Agreement and Plan of Reorganization, 63.44 members of a total membership of 2486.68 voted not to approve the First Amendment to Agreement and Plan of Reorganization, and 38.09 members abstained.

By: _____
Charla M. Seitz, Secretary

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
ADAMAN MUTUAL WATER COMPANY

Pursuant to Arizona Revised Statutes §§ 10-11001 and 10-11007, and a Plan of Reorganization adopted by the Board of Directors of Adaman Mutual Water Company, an Arizona nonprofit corporation (the "Corporation") approved by the Corporation's members as of April 7th, 2009, the Corporation hereby adopts these Amended and Restated Articles of Incorporation set forth below to be effective upon filing with the Arizona Corporation Commission as provided in Arizona Revised Statutes § 10-123 (the "Effective Time"). These Amended and Restated Articles of Incorporation amend and replace, in their entirety, the Corporation's Articles of Incorporation previously in effect and implement a tax-free reorganization of the Corporation under Section 368(a)(1)(E) of the Internal Revenue Code of 1986, as amended. Upon the filing of these Amended and Restated Articles of Incorporation, the Corporation shall cease to be a nonprofit, tax-exempt organization.

ARTICLE 1

Name

The name of this Corporation is Adaman Mutual Water Company.

ARTICLE 2

Purpose

This Corporation is organized for the purpose of conducting any business that by law a corporation may conduct under the laws of the State of Arizona. Initially, the Corporation is organized primarily for the purpose of providing water for the domestic, municipal and industrial use of its shareholders. The Corporation may engage in any other activities permitted by law and authorized under Article 3 of these Amended and Restated Articles of Incorporation.

ARTICLE 3

Initial Business of the Corporation

The business which the Corporation initially intends to conduct in the State of Arizona is to:

A. Construct, operate and maintain water wells, pumps, storage facilities, and other facilities and equipment related to the production, storage, and distribution of water for the domestic, municipal and industrial use of its shareholders.

B. Construct, operate, and maintain a water distribution system which shall carry and deliver water produced or acquired by the Corporation to its shareholders initially within the real property described as follows:

The East Half of Section 1, 12 and 13, Township 2 North, Range 2 West, of the Gila and Salt River Base and Meridian, and Sections 6, 7 and 18, Township 2 North, Range 1 West, of the Gila and Salt River Base and Meridian, in Maricopa County, Arizona, containing 2,880 acres more or less, except any and all parcels owned by the federal government.

The above-described land, and any additional property acquired by the Corporation in accordance with the Corporation's Articles of Incorporation, Bylaws and any rules or regulations adopted by the Corporation, less any property condemned by applicable governmental authority or otherwise removed from its service areas, shall be known as the Adaman Reclamation Project, and shall be referred to herein as the "Project."

C. Acquire water and water rights by purchase or appropriation as reasonably necessary to provide water for the domestic, municipal and industrial use of its shareholders and to hold real estate, or interests therein, to the extent reasonably necessary for the conduct of its business and affairs.

D. Provide its shareholders with water for domestic, municipal and industrial use substantially at cost.

E. Do and perform such acts as may be necessary or appropriate in carrying out the foregoing purposes of the Corporation.

F. Transact any other business permitted by law.

ARTICLE 4

Authorized Capital

A. The Corporation shall be authorized to issue 10,000,000 shares of Common Stock, no par value, which the Board of Directors shall have authority to issue from time to time. The Board of Directors may fix the stated value of shares of the Corporation's Common Stock at the time of issuance. Common Stock of the Corporation shall be subject to assessment, as provided in Article 7, and to the restrictions set forth in Article 5.

B. The Corporation shall be authorized to issue 10,000,000 shares of Preferred Stock, with $0.01 par value, which the Board of Directors, in its discretion, shall have the authority to issue from time to time; provided that the Board of Directors shall, prior to issuance, establish and divide the shares of Preferred Stock into such classes or series, with a specified number of shares for each class and series, and shall fix and determine the stated values, designations, preferences, privileges, restrictions on transfer, including whether a shareholder must own real property within the Project to own the Preferred Stock, and voting powers (which preferences and privileges may include, but are not limited to, provisions as to dividends, conversion, redemption and liquidation) of the shares of each class and series of Preferred Stock so established, and the restrictions or qualifications thereof, without limitation, except as may be limited by applicable law. The Board of Directors may cause the dividend rate to vary among any class or series of Preferred Stock.

C. The Corporation's capital stock may be paid for, in whole or in part, in cash or other property, whether tangible or intangible, or in labor or services actually performed for the Corporation, or in any other consideration permitted by law. The Board of Directors of the Corporation may, in its discretion, cause shares when issued to be fully paid and non-assessable when the consideration of such shares is received by the Corporation or any wholly owned subsidiary. The judgment of the Board of Directors as to the value of any property, services, right or thing acquired in exchange for the capital stock of the Corporation shall be final and conclusive.

D. Except as otherwise required by law, or by the terms and conditions of any Preferred Stock issued pursuant to paragraph B of this Article 4, class voting of shares shall not be permitted.

E. In connection with the issuance of the Corporation's Common Stock to those persons who were members of the Corporation immediately prior to the Effective Time, the consideration received by the Corporation shall be the cancellation and extinguishment of each member's membership interests in the Corporation in exchange for the issuance of Common Stock, and, at the Effective Time, without further action by the members or the Corporation, each membership interest in the Corporation shall be deemed to have been exchanged for the Common Stock issued to such member as required by this paragraph and such interest extinguished. Each member of the Corporation immediately prior to the Effective Time of these Articles of Incorporation shall be entitled to receive, upon the Effective Time, that number of shares of the Corporation's Common Stock equal to the number of whole and fractional acres of real property owned by such member located within the Project, rounded to two decimal places. For purposes of determining the acreage owned by any member, the Corporation may conclusively rely on the acreage reflected as owned by a former member in the Corporation's books and records as of the Effective Time or on acreage as reflected in the records of the County Recorder of Maricopa County, Arizona.

F. The aggregate number of shares issued at any time shall be automatically adjusted, without further action by the Corporation or the shareholders, to reflect any changes in the capitalization of the Corporation, such as stock dividends, stock splits, reverse stock splits, subdivisions, reorganizations or reclassifications, or any similar transaction that modifies the number of shares of stock of any class or series issued and outstanding, and the Corporation shall have the authority, without the approval of the shareholders, to issue such additional shares. If the Corporation shall effect a reverse stock split or similar transaction, the Corporation shall cancel, without consent or approval of the shareholders, the number of issued and outstanding shares of any class or series that is equal to the reduction in the number of issued and outstanding shares of the Corporation; provided that, such reduction shall be made pro rata among all shareholders of the same class or series in the ratio that the number of shares held by such shareholder immediately prior to the reduction bears to the sum of all shares issued and outstanding immediately prior to the reduction.

G. Any shares of Common or Preferred Stock shall be issued by the Corporation only in book entry form, and no physical shares shall be issued. Shares of Common Stock shall be subject to the restrictions described in Article 5.

H. Shares of Common Stock shall be restricted as provided in Article 5.

ARTICLE 5

Ownership of and Restrictions on Transfer of Shares

A. Shares of Common Stock issued by the Corporation may be owned only by persons who own real property within the Project. Preferred Stock may be issued to persons who own real property within the Project.

B. Shares of Common Stock attributable to real property located within the Project may be and shall be transferred only at such time as title to the real property with which the shares are associated is conveyed (whether such transfer occurs voluntarily, involuntarily or by operation of law), and transfer of ownership of the shares shall be effected automatically upon conveyance of all or a portion of any real property owned by a shareholder. Any transferor of real property located within the Project shall, by conveying such real property, be deemed to have transferred that number of whole and fractional shares of the Corporation's Common Stock owned by such Transferor that is equal to the number of whole and fractional acres within the Project so transferred. Any grantee or transferee of real property located within the Project shall, without further action by the transferring shareholder, be deemed to have acquired from the transferring shareholder that number of whole and fractional shares of the Corporation's Common Stock that are represented by the real property conveyed and shall be bound by the terms and conditions of these Articles of Incorporation and the Corporation's Bylaws. Any transfer or attempted transfer of the Corporation's shares of Common Stock made or suffered by a shareholder, unless made simultaneously in connection with a conveyance of real property within the Project to which such shares are appurtenant, shall be of no force or effect for any purpose, and shall confer no rights on the transferee to whom such transfer is made, and any such transfer shall be void.

ARTICLE 6

Existence

This Corporation shall have perpetual existence.

ARTICLE 7

Matters Affecting Shareholders Assessments; Annual Meeting

A. A shareholder of the Corporation shall be entitled to domestic, municipal and industrial water service from the Corporation to land located within the Project owned by the shareholder, subject to any rules and regulations adopted by the Board of Directors relating to such service, and subject to any charges or expenses the Corporation makes in the normal course of business for the provision of such service. By the adoption of these Amended and Restated Articles of Incorporation, the shareholders of the Corporation shall be deemed to have released and terminated those certain stock subscription and contract agreements incorporated into the

Bylaws of Adaman Mutual Water Company, effective as of November 26, 1943, and recorded in the records of the Recorder of Maricopa County, Arizona.

B. Subject to Article 5, the Corporation may admit shareholders upon such terms and conditions as may be imposed by the Articles of Incorporation, the Bylaws and any rules and regulations adopted by the Board of Directors, provided that no person may be a shareholder of Common Stock who does not own real property within the Project. A shareholder may nominate a designee to receive water and services from the Corporation only to the extent that the designee has a present possessory interest in the real property owned by the nominating shareholder.

C. The Board of Directors, from time to time, may levy such assessments as the Board of Directors may determine to be appropriate against the shareholders of the Corporation within the Project on a pro rata basis, based on the number of shares of any class or series held by each shareholder to the total number of shares issued and outstanding of the same class and series, for capital investment or for the operation, upkeep, maintenance, and improvement of the Corporation's water works and real or personal property, in accordance with the Bylaws and any rules and regulations adopted by the Board of Directors. The payment of assessments may be enforced in such a manner as the Board of Directors may determine, including, without limitation, withholding of the delivery of water to any shareholder who fails or refuses to pay the assessments. A shareholder who fails to pay any assessment made by the Board of Directors with respect to it shares shall not be entitled to vote such shares.

D. Shareholders of Common Stock shall have the right to (1) elect the directors who shall serve on the Board of Directors of the Corporation, except with respect to filling any vacancy on the Board of Directors which occurs during the directors' term, which vacancy the Board of Directors may fill, (2) receive water and services provided by the Corporation substantially at cost, (3) receive dividends if declared by the Board of Directors and paid by the Corporation, and (4) share in any surplus, capital, or assets upon liquidation and dissolution. Cumulative voting shall be applied in connection with the election of directors. Cumulative voting shall apply only with respect to the election of the Corporation's directors, but in no other respect.

E. The annual meeting of shareholders shall be held on the date specified in the Corporation's Bylaws and may be held within or without the State of Arizona, as the Board of Directors may direct. At the annual meeting of shareholders, the shareholders shall elect the individuals who shall serve on the Board of Directors of the Corporation for the following term.

ARTICLE 8

Board of Directors

A. The business and affairs of the Corporation shall be managed by a Board of Directors. The number of directors shall be not less than three (3) nor more than thirteen (13); within such limitations, the number of directors shall be as specified from time to time in the Corporation's Bylaws. Except as otherwise provided in this Article, the term of each director shall be two years. With the exception of the directors on the initial Board of Directors, the directors shall be divided into two classes of equal number if there is an even number of

directors, or into two classes differing in number by one director if there is an odd number of directors. The directors of each such class of directors shall be elected by the shareholders of the Corporation entitled to vote at the annual meeting of the shareholders of the Corporation. The terms of office of the directors in each such class shall be staggered so that the directors in one class are elected in a separate year from those directors in the other class.

B. The annual meeting of the Board of Directors shall be held on the date specified in the Corporation's Bylaws and may be held within or without the State of Arizona, as the Board of Directors may direct. There shall be not less than one meeting of the Board of Directors each fiscal year.

C. The Board of Directors shall have the power to adopt Bylaws, to amend or repeal the same, to adopt rules and regulations to govern the delivery of water to shareholders and assessment of the shareholders for capital investment of the Corporation, to fill vacancies occurring in the Board of Directors during the annual term of directors, to elect or appoint officers, to appoint committees to act on behalf of the Board of Directors, or otherwise, including, without limitation, an executive committee, with such powers and authority as the Board may confer, and to do all other things not prohibited by law to manage the affairs of the Corporation.

D. The following five persons constitute the present Board of Directors of the Corporation, and will serve in the class of directors designated below, until their successors are duly elected and qualified:

Director	**Director Class**
Stan Ashby 16251 W. Glendale Avenue Litchfield Park, Arizona 85340	Class 1 Director
Kelvin Moss 16251 W. Glendale Avenue Litchfield Park, Arizona 85340	Class 1 Director
David Lake 16251 W. Glendale Avenue Litchfield Park, Arizona 85340	Class 1 Director
Henry Conklin 16251 W. Glendale Avenue Litchfield Park, Arizona 85340	Class 2 Director
Mathieu Etchart 16251 W. Glendale Avenue Litchfield Park, Arizona 85340	Class 2 Director

ARTICLE 9

Officers

The officers of this Corporation shall be a president, a vice-president, a secretary, and a treasurer, and such additional officers as the Board of Directors may deem necessary, who shall be elected or appointed annually by the Board of Directors as prescribed in the Bylaws. The officers elected or appointed shall hold office for a period of one year, or until their successors are elected and qualified, but shall be subject to removal by the Board of Directors at any time.

ARTICLE 10

Indemnification and Limitation of Liability

Shareholders shall not be liable for the debts and obligations of the Corporation. The personal liability of any director of the Corporation to the Corporation or its shareholders or to other persons for monetary damages for breach of fiduciary duties as a director is hereby eliminated to the fullest extent allowed under the Arizona Revised Statutes, as amended from time to time. The Corporation shall indemnify, to the maximum extent from time to time permitted by applicable law, any person who incurs liability or expense by reason of such person acting as an incorporator, director, officer, employee, or agent of the Corporation, and the Corporation may advance all costs of defense to any incorporator, director, officer, or employee of the Corporation upon the execution of an undertaking by such person to repay any amounts so advanced if such person is determined not to be entitled to indemnity. This indemnification shall be mandatory in all circumstances in which indemnification is permitted by law.

ARTICLE 11

Dissolution and Liquidation

In the event of the dissolution or liquidation of this Corporation, the Board of Directors shall, after paying or making provision for the payment of all the liabilities of the Corporation, distribute any and all surplus, capital, or assets thereof to those persons who are shareholders of the Corporation at the time of such dissolution in proportion to their ownership of shares as of the date dissolution is effective, subject to any liquidation preferences granted to the holders of Preferred Stock. Upon dissolution of the Corporation, the Corporation shall continue in existence for the purpose of completing its dissolution and distributing its property.

ARTICLE 12

Incorporators

The following individuals constituted the original incorporators of this Corporation:

A.H. Zieski
16251 W. Glendale Avenue
Litchfield Park, Arizona 85340

Kenneth B. McMicken
16251 W. Glendale Avenue
Litchfield Park, Arizona 85340

W.N. Kring
16251 W. Glendale Avenue
Litchfield Park, Arizona 85340

H.R. Hunt
16251 W. Glendale Avenue
Litchfield Park, Arizona 85340

George Riesmann
16251 W. Glendale Avenue
Litchfield Park, Arizona 85340

ARTICLE 13

Statutory Agent

This Corporation hereby appoints Dave Schofield, with offices and an address at 16251 West Glendale Avenue, Litchfield Park, Arizona 85340, who has been a bona fide resident of Arizona for the last three years, its statutory agent.

ARTICLE 14

Amendment

These Articles of Incorporation may be amended or repealed by the consent of a two-thirds majority of the Board of Directors and approval by a simple majority of the Corporation's issued and outstanding shares; provided, however, if class voting is required by law, by the approval of a simple majority of the issued and outstanding shares of each class, unless otherwise provided herein, or in the designation of rights, privileges and preferences adopted in connection with the issuance of any class or series of Preferred Stock.

ARTICLE 15

Recording

The Board of Directors shall cause these Articles of Incorporation and any amendments thereto to be recorded in the records of the County Recorder of Maricopa County, Arizona.

IN WITNESS WHEREOF, the foregoing Amended and Restated Articles of Incorporation of Adaman Mutual Water Company are hereby executed this 7th day of April, 2009.

Adaman Mutual Water Company

Henry C. Conklin
Its President