

ARTICLES OF INCORPORATION

OF

THE OAKS WATER SUPPLY CORPORATION

FILED  
In the Office of the  
Secretary of State of Texas

THE STATE OF TEXAS

JUN 24 1993

COUNTY OF BEXAR

Corporations Section

We, the undersigned natural persons of the age of twenty-one (21) years or more, 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 OAKS WATER SUPPLY CORPORATION.

ARTICLE II

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

ARTICLE III

The period of its duration is perpetual.

ARTICLE IV

The Corporation is formed for the purpose of furnishing a water supply for general residential and farm use and domestic purposes to individuals residing in the community of Scenic Oaks in Bexar County, Texas, and the surrounding areas. The places where the business of the Corporation is to be transacted shall be the Scenic Oaks Community in Bexar County, Texas and the surrounding areas.

ARTICLE V

The street address of the initial registered office of the Corporation is 26034 Goldfinch Trail, San Antonio, Texas, 78255, and the name of its initial registered agent at such address is Edward J. Hitchler.

#### ARTICLE VI

The number of directors constituting the initial Board of Directors of the Corporation is three (3), and the names and addresses of the persons who are to serve as the initial directors are:

Edward J. Hitchler, 26034 Goldfinch Trail, San Antonio, Texas 78255  
Debbie T. Hakert, 26014 Goldfinch Trail, San Antonio, Texas 78255  
James Lincoln, 25626 Hazy Hollow, San Antonio, Texas 78255

#### ARTICLE VII

The names and street addresses of the incorporators are Edward J. Hitchler, 26034 Goldfinch Trail, San Antonio, Texas 78255; Debbie T. Hakert, 26014 Goldfinch Trail, San Antonio, Texas 78255; and James Lincoln, 25626 Hazy Hollow, San Antonio, Texas 78255.

The incorporators shall be members of the Board of Directors and will serve as directors 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 a manner as the by-laws may prescribe.

#### ARTICLE IX

No dividends shall ever be paid. All profits arising from the operation of the Corporation's business shall be annually paid out to cities, towns, counties, other political subdivisions, private corporations, and other persons who have during the past year transacted business with the Corporation, in direct proportion to the amount of business so transacted, provided that no such dividends shall ever be paid while any indebtedness of the Corporation remains unpaid and, provided also, that the Directors of the Corporation may allocate to a sinking fund such amount of the annual profits as they deem necessary for maintenance, upkeep, operation, and replacements.

#### ARTICLE X

Water service is conditioned upon ownership of real estate within the Corporation's service area. Membership in the Corporation arises from such ownership.

Membership in the Corporation shall be automatic for each owner of real property within the Corporation's service area, upon payment of the membership fee which shall be established yearly by the Board of Directors.

Membership may be transferred by a member solely by will, or operation of law, or deed, all in conjunction with transfer of ownership of real estate within the Corporation's service area. The Board of Directors may require payment of a membership fee upon each such transfer.

Membership in the Corporation, purchase of or transfer of ownership of real estate within the Corporation's service area, or transfer of membership in the Corporation does not entitle the member, owner, or transferee to water service unless each condition for water service is met as set out in the Corporation's published rates, changes, and conditions of service.

#### ARTICLE XI

The Corporation may cancel a person's or entity's membership if the person or entity fails to meet the conditions for water service prescribed by the Corporation's published rates, charges, and conditions of service, or fails to comply with any other condition placed on the receipt of water service or on membership. The Corporation may reassign a canceled membership to any person or entity that has legal title to the real estate from which the canceled membership arose and for which water service is requested, subject to compliance with the conditions for membership, and for water service prescribed by the Corporation's published rates, charges, and conditions of service.

#### ARTICLE XII

Each "ownership unit" shall be considered to be one member of the Corporation entitled to one vote at membership meetings. A "membership unit" is a) all those living as one household within or without the Corporation's service area, regardless of the number of persons in the household, and b) which owns real estate within the service area, regardless of the amount of real estate owned, and c) which has met all of the qualifications for membership in the Corporation and for water service.

#### ARTICLE XIII

Amendment of these Articles shall require the vote of two-thirds of the membership of the Corporation.

#### ARTICLE XIV

The Corporation may be dissolved with the assent given in writing and signed by not less than two-thirds of the members. Upon dissolution of the Corporation, other than incident to a merger or consolidation, the assets of the Corporation shall be dedicated to an appropriate public or private entity to be used for purposes similar to those for which this Corporation was created. In the event that such dedication is impractical or refused acceptance, such assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust or other organization.

#### ARTICLE XV

A director of the Corporation is not liable, in accordance with the authority granted by Texas Article 1302-7.06, to the Corporation or its members for monetary damages for an act or omission in the director's capacity as a director, except that this does not eliminate or limit the liability of a director to the extent the director is found liable for:

- (1) a breach of a director's duty of loyalty to the Corporation or its members;
- (2) an act or omission not in good faith that constitutes a breach of duty of the director to the Corporation, or that involves intentional misconduct or a knowing violation of the law;
- (3) a transaction from which a director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of a director's office;
- (4) an act or omission for which the liability of a director is expressly provided for by statute.

#### ARTICLE XVI

The Corporation shall indemnify a person who was, is, or is threatened to be made a named defendant or respondent in a proceeding because the person is or was a director, officer, employee, or agent of the Corporation, only if it is determined in accordance with Section F of Article 1396-2.22A, Texas Statutes, that the person:

- (1) conducted himself in good faith;
- (2) reasonably believed:
  - (a) in the case of conduct in his official capacity as a director, officer, employee, or agent of the Corporation, that his conduct was in the Corporation's best interests; and
  - (b) in all other cases, that his conduct was at least not opposed to the Corporation's best interests; and
- (3) in the case of any criminal proceeding, had no reasonable cause to believe his conduct was unlawful.

Except to the extent permitted by Section E of such Article, a director, officer, employee, or agent of the Corporation may not be indemnified in respect of a proceeding:

- (1) in which the person is found liable on the basis that personal benefit was improperly received by him, whether or not the benefit resulted from an action taken in the person's official capacity; or

(2) in which the person is found liable to the Corporation.

The Corporation may, by Board of Director's resolution, pay or reimburse expenses incurred by a director, officer, employee, or agent of the Corporation in connection with his appearance as a witness or other participation in a proceeding at a time when he is not a named defendant or respondent in the proceeding.

The determination:


- (1) that a director did not meet the requirements above;
- (2) of the extent of indemnification;
- (3) of the reasonableness of expenses; and
- (4) of other particulars of indemnification

shall be made in accordance with said Article 1396-2.22A, Texas Statutes.

IN WITNESS WHEREOF, I have hereunto set my hand, this the 22 day of June, 1993.

  
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Edward J. Hitchler

  
\_\_\_\_\_  
Debbie T. Hakert

  
\_\_\_\_\_  
James Lincoln

ARTICLES OF AMENDMENT TO THE ARTICLES OF INCORPORATION OF  
THE OAKS WATER SUPPLY CORPORATION.  
Charter No. 01275602-01

Pursuant to the provisions of Articles 1396-4.01 through 4.05 of the Texas Non-Profit Corporation Act, VATCS, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

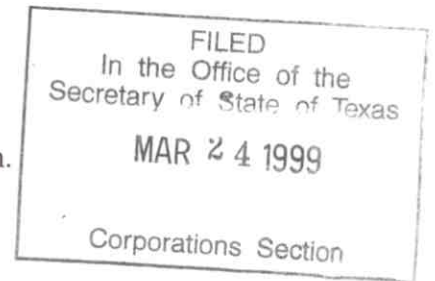
ARTICLE ONE

The name of the corporation is The Oaks Water Supply Corporation.

ARTICLE TWO

The following amendments to the Articles of Incorporation were adopted at a duly noticed membership meeting at which a quorum was present in person or by proxy on the 25th day of February, 1999 by at least a two-thirds vote of the members entitled to vote under the corporation's by-laws:

1. This amendment deletes Article X concerning memberships. This matter shall be subject to the corporation's by-laws.
2. This amendment deletes Article XI concerning the cancellation of memberships and the assignment of canceled memberships. This matter shall be subject to the corporation's by-laws.
3. This amendment deletes Article XII concerning ownership units. This matter shall be subject to the corporation's by-laws.
4. This amendment deletes Article XIII concerning amendments. This matter shall be subject to the Texas Non-Profit Business Corporation Act, *supra*, as amended.
5. This amendment deletes Article XIV concerning disposition of assets upon dissolution of the corporation. This matter shall be subject to the corporation's by-laws.



ARTICLE THREE

The following votes were recorded at the February 25, 1999 vote of the eligible members:

Eligible members	326
Number of votes needed to pass	217
Votes Cast	235
For	220
Against	0
Abstaining	15

DATED: March 15, 1999

THE OAKSWATER SUPPLY CORPORATION

By: Kay Day  
Kay Day, President

ATTESTED:

SEAL

By: James Lincoln  
James Lincoln, Secretary-Treasurer