

ARTICLES OF INCORPORATION
OF
HILLTOP LAKES WATER SUPPLY CORPORATION

FILED
In the Office of the
Secretary of State of Texas
APR 06 1998
Corporations Section

These Articles of Incorporation are adopted pursuant to the provisions of the Texas Non-profit Corporations Act, TEX. REV. CIV. STAT. ANN. art. 1396-1.01, et seq. ("Act") and art. 1434a, TEX. REV. CIV. STAT. ANN.

ARTICLE 1 - NAME

The name of the corporation is Hilltop Lakes Water Supply Corporation.

ARTICLE 2 - NONPROFIT CORPORATION

The Corporation is a non-profit, member-owned, member controlled water supply and sewer service corporation incorporated under the provisions and definitions of TEX. REV. CIV. STAT. ANN. art. 1434a ("1434a"), as amended, and where not inconsistent with 1434a, and Section 13.002 of the Texas Water Code, as amended.

ARTICLE 3 - DURATION

The period of duration is perpetual.

ARTICLE 4 - PURPOSES

The purpose of the Corporation is to furnish a water supply or sewer service, or both, to towns, cities, private corporations, individuals, and military camps and bases, and for the purpose of providing a flood control and drainage system for towns, cities, counties, other political subdivisions, private corporations, individuals, and other persons.

ARTICLE 5 - POWERS

Except as otherwise provided in these Articles, the Corporation shall have all powers invested in a water supply or sewer service corporation by 1434a, the Act, the Texas Water Code, and the administrative rules of the Texas Natural Resource Conservation Commission and its successor agency(ies), not

inconsistent with Internal Revenue Code Section 501(c)(12)(A) and related federal regulations, rulings, and procedures.

ARTICLE 6 - RESTRICTIONS AND REQUIREMENTS

Unless otherwise permitted by 1434a and the Internal Revenue Code Section 501(c)(12)(A): No dividends shall ever be paid upon the memberships of the Corporation. No income of the Corporation may be distributed to members, directors, or officers in these roles. All profits arising from the operations of the business of the Corporation 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 such sinking fund(s) such amount of profits as they deem necessary for maintenance, upkeep, operation, and replacements.

The Corporation shall have no power to engage in activities or use its assets in a manner that are not in furtherance of the legitimate business of a water supply cooperative or sewer service cooperative as recognized by 1434a and Internal Revenue Code 501(c)(12)(A).

No director shall be liable to the Corporation or to the Corporation's membership for monetary damages for any act or omission in the director's capacity as a director of the Corporation, except and unless the director shall be found liable for a breach of the director's duty of loyalty to the Corporation or the Corporation's membership; an act or omission not in good faith that constitutes a breach of the director's duty to the Corporation or an act or omission that involves intentional misconduct or knowing violation of the law on the part of the director; a transaction from which the director receives an improper benefit, whether or not the benefit results from an act or omission for which liability of the director is expressly provided by Texas law.

ARTICLE 7 - MEMBERS AND CONTROL

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 bylaws may prescribe. Notwithstanding the personalty characterization of memberships, memberships may be conditioned upon or tied to ownership in realty property in the area served as may be provided by Texas law.

The Corporation shall have one class of "members" which shall be defined by Texas Water Code, Section 13.002. All customers of the corporation must be members unless exempt by law.

All officers and directors of the Corporation must be members and subscribers to the services provided by the Corporation.

A person is entitled to one vote in any Corporation election regardless of the number of memberships the person owns.

ARTICLE 8 - INITIAL REGISTERED OFFICE AND AGENT

The street address of the initial registered and business office of the Corporation is Hilltop Lakes Water Supply Corporation, c/o David Regenbaum, 9575 Katy Freeway, Suite 130, Houston, Harris County, Texas 77024.

The name of the initial registered agent whose business address is the same as the Corporation's registered and business office's address is David Regenbaum.

ARTICLE 9 - BOARD OF DIRECTORS

The affairs of the Corporation shall be managed by a Board of Directors elected by members beginning with the first annual meeting. The qualifications, manner of selection, duties, terms, and other matters relating to the Board of Directors shall be provided in the bylaws. The number of directors may be increased or decreased by amendment to the bylaws but there shall never be more than twenty-one (21) members of the Board of Directors unless otherwise allowed by 1434a.

The number of initial directors who shall govern the corporation until the first annual meeting are five (5) and their names and addresses are:

- | | |
|-------------------|---|
| 1. Barney Barnett | P. O. Box 1780
Hilltop Lakes, TX 77871 |
| 2. Jim Finegan | P. O. Box 1400
Hilltop Lakes, TX 77871 |
| 3. Clifton Lamb | P. O. Box 1737
Hilltop Lakes, TX 77871 |

4. Bob Rice

P. O. Box 755
Normangee, TX 77871

5. George Rick

P. O. Box 1086
Hilltop Lakes, TX 77871

ARTICLE 10 - INCORPORATORS

The number of incorporators are three (3) and their names and addresses are:

1. Brook Jones

6101 W. Courtyard Dr., Suite 221
Austin, Texas 78730

2. Deena M. Stanford

6101 W. Courtyard Dr., Suite 221
Austin, Texas 78730

3. Thomas A. Graves

6101 W. Courtyard Dr., Suite 221
Austin, Texas 78730

IN WITNESS WHEREOF, we have hereunto set our hands on this 3rd day of April, 1998.



Brook Jones, Incorporator



Deena M. Stanford, Incorporator



Thomas A. Graves, Incorporator

THE STATE OF TEXAS)
)
COUNTY OF TRAVIS)

I, the undersigned notary public, do hereby certify that on this day Brook Jones, Deena M. Stanford, and Thomas A. Graves personally appeared before me and who being by me duly sworn, declared that they are the persons who

signed the foregoing document as incorporators and that the statements therein contained are true.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 3rd day of April, 1998.

seal



A handwritten signature in cursive script, appearing to read "M.H. Zeppa", is written over a horizontal line.

