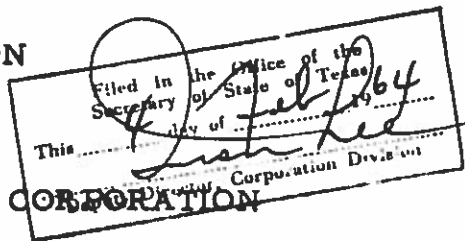


ARTICLES OF INCORPORATION

OF

DRIPPING SPRINGS WATER SUPPLY CORPORATION



THE STATE OF TEXAS

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() KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF HAYS

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WE, the undersigned natural persons of the age of twenty-one (21) years or more, at least three of whom are 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 DRIPPING SPRINGS WATER SUPPLY CORPORATION.

ARTICLE II.

The Corporation is a non-profit Corporation organized under Article 1434a of the Revised Civil Statutes of Texas of 1925, as amended, supplemented by the Texas Non-Profit Corporation Act, Article 1, 01 et seq., as amended, and is authorized to exercise all powers, privileges and rights conferred on a Corporation by these Acts, and all powers and rights incidental in carrying out the purposes for which the Corporation is formed, except such as are inconsistent with the egress provisions of these Acts.

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 farm use and domestic purposes to individuals residing in the rural community of Dripping Springs, Texas, and the surrounding rural areas. The places where the business of the Corporation is to be transacted shall be the Dripping Springs Community in Hays County, Texas, and the surrounding rural areas.

ARTICLE V.

The street address of the initial registered office of the Corporation is Dripping Springs, Texas, and the name of its initial registered agent at such address is W. P. Crow.

ARTICLE VI.

The number of directors constituting the initial Board of Directors of the Corporation is five (5), and the names and address of the persons who are to serve as the initial directors are:

<u>Name</u>	<u>Address</u>
W. P. Crow	Dripping Springs, Texas.
Alva Haydon	Dripping Springs "
W. E. McNair	Dripping Springs "
James W. Glesson	Dripping Springs "
E. E. Meyers	Dripping Springs "

ARTICLE VII.

The name and address of each incorporator is:

<u>Name</u>	<u>Address</u>
W. P. Crow	Dripping Springs, Texas
Alva Haydon	Dripping Springs. "
W. E. McNair	Dripping Springs "
James W. Glesson	Dripping Springs "
E. E. Meyers	Dripping Springs "

ARTICLE VIII.

Each incorporator shall be a member of the Board of Directors who are to serve as directors until the first annual meeting of the members, or until their successors are elected and qualified. Upon the issuance of the Charter and annually thereafter on the first Tuesday in January the Board of Directors, shall elect a President, a Vice-President, and a Secretary-Treasurer. The position of the Secretary-Treasurer shall be placed under a fidelity bond in an amount which shall be set by the Board of Directors. The amount of said bond shall be set from time to time by the Board of Directors, but shall not be less than \$1,000.00.

ARTICLE IX.

The Corporation shall conduct its business on a non-profit basis, and no dividends shall ever be paid upon the memberships of such Corporation and all profits arising from the operation of such business shall be annually paid out to the person who have, during the past year, transacted business with such Corporation, in direct proportion to the amount of business 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 such Corporation may allocate to a reserve fund such amounts of the annual income as they deem necessary for maintenance, upkeep, operation and replacements, emergency repairs and for deficiencies in income necessary to meet debt service costs.

ARTICLE X.

The Corporation may make and collect charges for water delivered in such amounts and in such manner as may be provided for in the By-Laws and make additional charges, prospective and retroactive, on the basis of the number of connections or otherwise as may be provided for, in the By-Laws. It may adjust rates from time to time to cover deficiencies in income in the event the amount collected from water and other charges is insufficient in any year to operate and maintain the water system and pay annual obligations and to enforce the collection thereof by the termination of water service or otherwise as provided in the By-Laws and by a personal action at law. In addition, at the end of any fiscal year the Corporation may make and levy an assessment against each member of the Corporation in the manner and for the purposes as may be provided for in the By-Laws and may enforce the collection of same by termination of water service or otherwise as provided for in the By-Laws and by a personal action at law.

ARTICLE XI.

The Board of Directors shall select as depository for the funds of said Corporation, a bank within the State of Texas which is insured with the Federal Deposit Insurance Corporation and shall require of said depository such bond as the Board deems necessary for the protection of said Corporation.

ARTICLE XII.

The directors of the Corporation shall establish and maintain, so long as the Corporation is indebted to the Government in a bank within the State of Texas, insured with the Federal Deposit Insurance Corporation, a reserve fund account separate and apart from other fund accounts of the Corporation. There shall be deposited in such fund the sum of \$25.66 per month from the revenues of the Corporation. Such deposits will continue until the total amount deposited equals \$3,080.00; provided, however, that after any withdrawals, such deposits shall be resumed until the amount accumulated in the fund is restored to \$3,080.00.

Withdrawals from this fund shall be made only for emergency repairs, obsolescence of equipment, and for making up any deficiencies in revenue for loan payments. One of the objects of this reserve fund is to assure, during the periods of non-water deliveries or water shortages, the availability of funds equal to the difference between collection from the sale of water and collections that would have been made had the members been able to purchase the quantity of water used normally.

The directors shall invest all sums in this fund not required to be expended within the year in which the same are deposited, in bonds or other evidence of indebtedness of the United States of America, or they shall deposit said sums at interest in a savings account, in a bank insured with the Federal Deposit Insurance Corporation. Securities so purchased shall be deemed at all times to be a part of the reserve fund account.

ARTICLE XIII.

The Corporation is and shall continue to be a Corporation without capital stock. Membership in the Corporation shall be sold for \$50.00 per member.

ARTICLE XIV.

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 By-Laws may prescribe.

**ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION**

FILED
In the Office of the
Secretary of State of Texas

MAY 19 1998

Corporations Section

Pursuant to the provisions of Article 4.03 of the Texas Non-Profit Corporation Act, the **Dripping Springs Water Supply Corporation** ("the Corporation") adopts the following Articles of Amendment to its Articles of Incorporation in order to change the purpose clause in the original Articles of Incorporation to authorize the Corporation to furnish both water supply and sewer service to persons and entities residing in the community of Dripping Springs, Texas and the surrounding rural areas, and to make and collect charges for the provision of both water and sewer services.

ARTICLE ONE

The name of the Corporation is Dripping Springs Water Supply Corporation.

ARTICLE TWO

The following amendments to the Articles of Incorporation were adopted by the Corporation on April 20, 1998.

Article IV of the Articles of Incorporation is hereby amended to read as follows:

"The Corporation is formed for the purpose of furnishing water supply and sewer service in the community of Drippings Springs, Texas and the surrounding rural areas to individuals, private corporations, municipalities, and other entities as allowed by law. The places where the business of the Corporation is to be transacted shall be the Dripping Springs community in Hays County, Texas and the surrounding rural areas."

Article X of the Articles of Incorporation is hereby amended to read as follows:

"The Corporation may make and collect charges for water and sewer service delivered in such amounts and in such manner as may be provided for in the By-Laws and make additional charges, prospective and retroactive, on the basis of the number of connections or otherwise as may be provided for in the By-Laws. It may adjust rates from time to time to cover deficiencies in income in the event the amount collected from water and sewer service and other charges is insufficient in any year to operate and maintain the water and sewer systems and pay annual obligations and to enforce the collection thereof by the termination of water and sewer service or otherwise as provided in the By-Laws and by a personal action at law. In addition, at the end of any fiscal year the Corporation may make and levy an assessment against each member of the Corporation in the manner and for the purposes as may be provided for in the By-Laws and may enforce the collection of

same by termination of water and sewer service or otherwise as provided for in the By-Laws and by a personal action at law.”

ARTICLE THREE

The above amendments were adopted in the following manner:

The amendments were adopted at a meeting of the members held on April 20, 1998, at which a quorum was present, and the amendments received at least two-thirds of the votes which members present or represented by proxy at such meeting were entitled to cast.

Dated MAY 15, 1998

DRIPPING SPRINGS WATER SUPPLY CORPORATION

By Alva Haydon
Alva Haydon
Its President

And O. C. Harmon
O. C. Harmon
Its Secretary