

JUL 26 2001

ARTICLES OF INCORPORATION
OF
CITY OF SANTA FE SECTION 4B
ECONOMIC DEVELOPMENT CORPORATION

Corporations Section

We, the undersigned natural persons, each of whom is at least eighteen (18) years of age or more, and a resident and a qualified voter of the City of Santa Fe, Texas (the "City") and a citizen of the State of Texas, acting as incorporators of a corporation under the provisions of Article 5190.6 Section 4B, Vernon's Texas civil Statutes, as amended (the "Act"), do hereby adopt the following Articles of Incorporation for such corporation.

ARTICLE I

The name of the corporation is CITY OF SANTA FE SECTION 4B ECONOMIC DEVELOPMENT CORPORATION.

ARTICLE II

The Corporation is a public non-profit corporation.

ARTICLE III

The period of its duration is perpetual.

ARTICLE IV

The Corporation is organized for the purpose of aiding, assisting and acting on behalf of the City in the undertaking, completing and financing of projects, as defined in the Act.

The Corporation is formed pursuant to, and will be governed by, the provisions of Section 4B of the Act which authorizes the Corporation to assist and act on behalf of the City and to engage in activities in the furtherance of the purposes of its creation.

The Corporation shall have all powers provided to a Section 4B Corporation by the Act.

The Corporation may issue bonds on behalf of the City to defray all or part of the cost of any project.

The Corporation shall have and exercise all of the rights, powers, privileges, authority and functions given by the general laws of Texas to non-profit corporations incorporated under the Act including, without limitation, Article 1396, Vernon's Texas Civil Statutes, as amended.

The Corporation shall have all other powers of a like or different nature not prohibited by law which are available to non-profit corporations in Texas and which are necessary or useful to enable the Corporation to perform the purposes for which it is created, including the power to issue bonds; notes or other obligations, and otherwise exercise its borrowing power to accomplish the purposes for which it was created.

The Corporation is created as a local government corporation pursuant to the Act and shall be a governmental unit within the meaning of Subdivision (2), Section 101.001, Civil Practice and Remedies Code. The operations of the Corporation are governmental and not proprietary functions for purposes of the Texas Tort Claims Act, Section 101.001 et seq., Civil Practice and Remedies Code.

ARTICLE V

The Corporation shall have no members and shall have no stock.

ARTICLE VI

All powers of the Corporation shall be vested in a Board consisting of seven (7) persons. Directors of the Corporation ("Director" or "Directors") shall be appointed by position to the Board. Each initial Director named in Article VIII hereof shall serve for the term expiring on the date set forth in Article VIII. Subsequent Directors shall be appointed by the governing body of the City. Each subsequent Director shall serve for a term of two (2) years or until his or her successor is appointed by the governing body of the City unless such Director has been appointed to fill an unexpired term in which case the term of the Director shall expire on the expiration date of the term of the Director whose position he or she was appointed to fill. Any Director may be removed from office at any time, with or without cause, by the governing body of the City. The number of Directors may only be increased or decreased by an amendment to these Articles of Incorporation as authorized by amendment of the Act.

To be qualified to serve as a Director, a person must be a resident of the City and be at least 18 years of age.

All other matters pertaining to the internal affairs of the Corporation shall be governed by the Bylaws of the Corporation, so long as such Bylaws are not inconsistent with these Articles of Incorporation, or the laws of the State of Texas.

ARTICLE VII

The street address of the initial registered office of the Corporation is 12002 Highway 6, Santa Fe, Texas 77510, and the name of its initial registered agent at such address is Robert Cheek.

ARTICLE VIII

The number of Directors constituting the Board is seven (7). The names, positions, and terms of office of the initial Directors, each of whom resides within the City, are:

<u>Position</u>	<u>Name</u>	<u>Address</u>	<u>Term</u>
1	Joe Carothers	4410 Castle Drive	6/14/01 to 6/14/03
2	Fat McCrary	3409 Ave. J	6/14/01 to 6/14/03
3	Rosie Morales	12507 A-Bar Dr.	6/14/01 to 6/14/03
4	Rusty Norman	4414 Burditt	6/14/01 to 6/14/03
5	Johnny Roberts	14910 Ash Road	6/14/01 to 6/14/03
6	Christine Sikes	13312 Winston	6/14/01 to 6/14/03
7	Joe Kelly Tombrella	4813 Ave. H	6/14/01 to 6/14/03

All in the City of Santa Fe, Texas

The ex-officio board members are City of Santa Fe City Manager, Joe Dickson, and Galveston County Water Control & Improvement District No. 8 Superintendent, Tim Turner.

ARTICLE IX

The names and street addresses of the incorporators, each of whom resides within the City, are:

<u>Name</u>	<u>Address</u>
Robert Cheek	3829 Avenue L
Rosie Morales	12507 A Bar Drive
Joe Dickson	3807 Wade

All in the City of Santa Fe, Texas

ARTICLE X

No director shall be liable to the Corporation for monetary damages for an act or omission in the Director's capacity as a Director, except that the provisions of this Article X shall not eliminate or limit the liability of a director for:

- (i) a breach of the Director's duty of loyalty to the Corporation;
- (ii) an act or omission not in good faith that constitutes a breach of a duty of the director to the Corporation or that involves intentional misconduct or a knowing violation of the law;
- (iii) a transaction from which the Director received an improper benefit, whether or not the benefit resulted from an act taken within the scope of the Director's office;
- (iv) an act or omission for which the liability of a Director is expressly provided by applicable statute; or
- (v) An act related to an unlawful distribution of the assets of the Corporation.

Any repeal or amendment of this Article by the Directors shall be prospective only, and shall not adversely affect any limitation on the personal liability of a Director existing at the time of such repeal or amendment. In addition to the circumstances in which a Director is not personally liable as set forth in the preceding sentences, a Director shall not be liable to the fullest extent permitted by any amendment to Texas statutes hereafter enacted that further limits the liability of a Director, without the necessity of further action by the Corporation or the Board to modify the provisions of this Article X.

ARTICLE XI

In accordance with the provision of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and regardless of any other provisions of these Articles of Incorporation or the laws of the State of Texas, the Corporation: (a) shall not permit any part of the net earnings of the Corporation to inure to the benefit of any private individual (except that reasonable compensation may be paid for personal services rendered to or for the Corporation in effecting one or more of its purposes); (b) shall not direct any of its activities to attempting to influence legislation by propaganda or otherwise; (c) shall not participate in or intervene in (including the publication or distribution of statements), any political campaign on behalf of any candidate for public office; and (d) shall not attempt to influence the outcome of any election for public office or to carry on, directly or indirectly, any voter registration drives. Any income earned by the Corporation after payment of reasonable expenses, debt and establishing a reserve shall accrue to the City.

The City shall, at all times, have an unrestricted right to receive any income earned by the Corporation, exclusive of amounts needed to cover reasonable expenditures and reasonable reserves for future activities. Unless otherwise directed by the City, any income of the Corporation received by the City shall be deposited into the Santa Fe Economic Development Corporation Fund, its successor, or such other funds as shall be designated by the City Council from time to time. No part of the Corporation's income shall inure to the benefit of any private interests.

If the Board of Directors determines by resolution that the purposes for which the Corporation was formed have been substantially met and all bonds issued by and all obligations incurred by the Corporation have been fully paid, the Board shall

execute a certificate of dissolution, which states those facts and declares the Corporation dissolved in accordance with the requirements of the Act, or with applicable law then in existence. In the event of dissolution or liquidation of the Corporation, all assets will be turned over to the City.

ARTICLE XII

If the Corporation is a private foundation within the meaning of Section 509(a) of the Internal Revenue Code, the Corporation: (a) shall distribute its income for each taxable year at such time and in such manner as not to become subject to the tax on undistributed income imposed by Section 4942 of the Internal Revenue Code; (b) shall not engage in any act of self-dealing as defined in Section 4941(d) of the Internal Revenue Code; (c) shall not retain any excess business holding as defined in Section 4943(c) of the Internal Revenue Code; (d) shall not make any investments in such manner as to subject it to tax under Section 4944 of the Internal Revenue Code; and (e) shall not make any taxable expenditures as defined in Section 4945(d) of the Internal Revenue Code.


ARTICLE XIII

On July 12, 2001, the City Council of the City duly adopted a resolution approving the form of these Articles of Incorporation and approving the creation of the Corporation.


IN WITNESS WHEREOF, we have hereunto set our hands this 19th day of July, 2001.



Robert Cheek



Rosie Morales



Joe Dickson

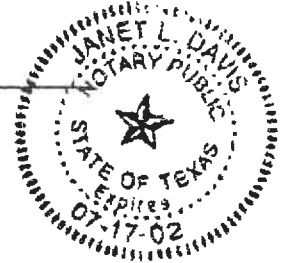
THE STATE OF TEXAS

COUNTY OF GALVESTON

BEFORE ME, the undersigned authority on this day personally appeared ROBERT CHEEK, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this the 19th day of July, 2001.

Janet L. Davis
Notary Public



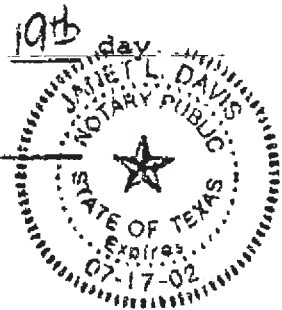
THE STATE OF TEXAS

COUNTY OF GALVESTON

BEFORE ME, the undersigned authority on this day personally appeared ROSIE MORALES, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that she executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this the 19th day of July, 2001.

Janet L. Davis
Notary Public



THE STATE OF TEXAS

COUNTY OF GALVESTON

BEFORE ME, the undersigned authority on this day personally appeared JOE DICKSON, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this the 19th day of July, 2001.

Janet L. Davis
Notary Public

