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**COVENANTS & BYLAWS**  
**OF**  
**GABLES RANCH**  
**MAINTENANCE**  
**ASSOCIATION**

A Texas Nonprofit Association  
that administers common areas  
shared by homeowners in  
The Gables at North Hill  
and  
The Ranch  
in Murphy, Texas

**COVENANTS & BYLAWS  
OF  
GABLES RANCH MAINTENANCE ASSOCIATION  
(A Texas Nonprofit Association)**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>ARTICLE 1 - <u>DEFINITIONS</u></b> .....	1
<b>ARTICLE 2 - <u>INTRODUCTION</u></b> .....	2
2.1. <b>PARTIES</b> .....	2
2.2. <b>GENERAL POWERS AND DUTIES</b> .....	2
<b>ARTICLE 3 - <u>GRMA PROPERTY</u></b> .....	2
3.1. <b>OWNERSHIP</b> .....	2
3.2. <b>ACCEPTANCE</b> .....	3
3.3. <b>PERSONAL RESPONSIBILITY</b> .....	3
3.4. <b>LIABILITY RELEASE</b> .....	3
<b>ARTICLE 4 - <u>GRMA BUDGET &amp; ASSESSMENTS</u></b> .....	4
4.1. <b>ANNUAL BUDGET</b> .....	4
4.2. <b>RESERVE FUNDS</b> .....	4
4.3. <b>DUE DATE</b> .....	5
4.4. <b>TYPES OF LEVIES</b> .....	5
4.5. <b>ALLOCATING BUDGET</b> .....	6
4.6. <b>GRMA'S RIGHT TO BORROW MONEY</b> .....	6
4.7. <b>LIMITATIONS OF INTEREST</b> .....	6
4.8. <b>NONPAYMENT OF PRO RATA SHARE</b> .....	7
<b>ARTICLE 5 - <u>MAINTENANCE AND REPAIR OBLIGATION</u></b> .....	7
5.1. <b>GRMA MAINTAINS</b> .....	7
5.2. <b>INSURANCE</b> .....	7
<b>ARTICLE 6 - <u>BOARD OF DIRECTORS</u></b> .....	8
6.1. <b>NUMBER</b> .....	8
6.2. <b>TERM</b> .....	8
6.3. <b>REMOVAL BY GRMA BOARD</b> .....	9
6.4. <b>COOPERATION</b> .....	9
6.5. <b>QUALIFICATION</b> .....	9
6.6. <b>MEETINGS OF THE GRMA BOARD</b> .....	9
6.7. <b>ACTION WITHOUT MEETING</b> .....	11
6.8. <b>POWERS AND DUTIES</b> .....	11
6.9. <b>FIDELITY BONDS</b> .....	12

<b>ARTICLE 7 - <u>OFFICERS</u></b> .....	12
7.1. DESIGNATION .....	12
7.2. ELECTION OF OFFICERS .....	12
7.3. REMOVAL AND RESIGNATION OF OFFICERS .....	12
7.4. AUTHORIZED AGENTS .....	12
<b>ARTICLE 8 - <u>STANDARDS</u></b> .....	12
8.1. SEPARATE LIABILITY .....	12
8.2. GENERAL STANDARDS .....	13
8.3. RELIANCE .....	13
8.4. COMPENSATION .....	13
8.5. LOANS .....	13
8.6. CONFLICT OF INTERESTS .....	14
<b>ARTICLE 9 - <u>MEETINGS OF THE MAINTENANCE ASSOCIATION</u></b> .....	14
9.1. ANNUAL MEETING .....	14
9.2. SPECIAL MEETINGS .....	14
9.3. PLACE OF MEETINGS .....	14
9.4. NOTICE OF MEETINGS .....	14
9.5. QUORUM .....	14
9.6. CONDUCT OF MEETINGS .....	15
9.7. ORDER OF BUSINESS .....	15
9.8. ADJOURNMENT OF MEETING .....	15
9.9. MEETINGS BY REMOTE COMMUNICATIONS .....	15
<b>ARTICLE 10 - <u>RULES</u></b> .....	15
10.1. RULES .....	15
10.2. ADOPTION AND AMENDMENT .....	15
10.3. NOTICE AND COMMENT .....	15
10.4. DISTRIBUTION .....	16
<b>ARTICLE 11 - <u>ENFORCEMENT</u></b> .....	16
11.1. SUSPENSION FOR DELINQUENCY .....	16
11.2. ENFORCEMENT BY MEMBER .....	16
11.3. SUSPENSION FOR VIOLATION .....	16
<b>ARTICLE 12 - <u>NOTICES</u></b> .....	16
12.1. DELIVERY OF NOTICES .....	16
12.2. WAIVER OF NOTICE .....	16
<b>ARTICLE 13 - <u>INDEMNIFICATION</u></b> .....	17
13.1. GENERAL .....	17
13.2. MANDATORY INDEMNIFICATION .....	17
13.3. EXCEPTIONS TO MANDATORY INDEMNIFICATION .....	17
13.4. EXPENSES .....	18

13.5. INDEMNIFICATION OF OTHER PERSONS .....	18
<b>ARTICLE 14 - <u>AMENDMENTS TO BYLAWS</u></b> .....	<b>18</b>
14.1. AUTHORITY .....	18
14.2. NOTICE AND COMMENT .....	18
14.3. DEVELOPMENT PROTECTION .....	18
14.4. MERGER .....	19
<b>ARTICLE 15 - <u>DISPUTE RESOLUTION</u></b> .....	<b>19</b>
15.1. INTRODUCTION & DEFINITIONS .....	19
15.2. MANDATORY PROCEDURES .....	20
15.3. NOTICE .....	20
15.4. NEGOTIATION .....	20
15.5. MEDIATION .....	20
15.6. TERMINATION OF MEDIATION .....	20
15.7. ALLOCATION OF COSTS .....	20
15.8. ENFORCEMENT OF RESOLUTION .....	20
15.9. GENERAL PROVISIONS .....	21
15.10. LITIGATION APPROVAL & SETTLEMENT .....	21
<b>ARTICLE 16 - <u>GENERAL PROVISIONS</u></b> .....	<b>21</b>
16.1. INSPECTION OF BOOKS AND RECORDS .....	21
16.2. CONFLICTING PROVISIONS .....	22
16.3. SEVERABILITY .....	22
16.4. APPLICABLE LAW .....	22
16.5. CONSTRUCTION .....	22
16.6. FISCAL YEAR .....	22
16.7. PREPARER .....	22
<b>CERTIFICATION &amp; ACKNOWLEDGMENT .....</b>	<b>22</b>

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The Gables and The Ranch are neighboring residential subdivisions in the City of Murphy, Texas. The developers of the two subdivisions (FORESTAR (USA) Real Estate Group, Inc. f/k/a Lumbermen's Investment Corporation for The Gables, and D. R. Horton - Texas, Ltd., for The Ranch) believe it benefits the homeowners in both developments to share the costs of operating recreational amenities that are intended for the exclusive and joint use by residents of The Gables and The Ranch. Towards that end, the two developers created Gables Ranch Maintenance Association to own and operate the recreational amenities to be shared by The Gables and The Ranch.

The homeowners association for each subdivision will be a member of the Maintenance Association, which will have no other members. The Board of Directors of each subdivision association will elect representatives to the Board of Directors of the Maintenance Association. Each subdivision association will pay a pro-rata share of the annual operating budget of the Maintenance Association. Each subdivision association will assess its members to fund the pro-rata share of the Maintenance Association budget.

**ARTICLE 1**  
**DEFINITIONS**

The following words and phrases have specified meanings when used in this instrument.

1.1. **"Builder"** means a person or entity which purchases, or contracts to purchase, a lot from a Developer or from a Builder for the purpose of constructing a dwelling for resale or under contract to an owner other than the Developer of the community in which the lot is located. As used in this instrument, Builder does not refer to a home building or home marketing company that is an affiliate of the Developer of the community in which the lot is located. On the date of this instrument, the Developer of The Ranch is a Builder in the Gables, and the Developer of The Gables is not a Builder.

1.2. **"Code"** means the Texas Business Organizations Code.

1.3. **"Developer"** means FORESTAR (USA) Real Estate Group, Inc. (f/k/a Lumbermen's Investment Corporation), being the developer of The Gables, and D. R. Horton-Texas, Ltd., being the developer of The Ranch.

1.4. **GABLES TERMS.**

1.4.1. **"The Gables"** means the phased residential subdivision known as "The Gables at North Hill" in the City of Murphy, Texas, which is subject to the Declaration of Covenants, Conditions and Restrictions for Gables at North Hill, recorded on November 19, 2004, as Document No. 2004-0167975, in Volume 6800, Page 02644, Real Property Records, Collin County, Texas, as it may be amended, supplemented, or restated from time to time (the **"Gables Restrictions"**).

1.4.2. "**Gables HOA**" means the mandatory association of homeowners in The Gables, which association is initially named Gables at NorthHill Homeowners Association, Inc. "**Gables Board**" means the Board of Directors of the Gables HOA.

1.5. MAINTENANCE ASSOCIATION TERMS.

1.5.1. "**Maintenance Association**" or "**GRMA**" means the Gables Ranch Maintenance Association. "**GRMA Board**" means the Board of Directors of the Maintenance Association.

1.5.2. "**GRMA Property**" means the real property owned and/or maintained by the Maintenance Association for the collective use and benefit of homeowners in The Gables and The Ranch.

1.6. THE RANCH TERMS.

1.6.1. "**The Ranch**" means the phased residential subdivision in the City of Murphy, Texas, which is subject to the Declaration of Covenants, Conditions & Restrictions for The Ranch, recorded April 2, 2002, as Document No. 2002-0047649, in Volume 05138, Page 05417, Real Property Records, Collin County, Texas, as it may be amended, supplemented, or restated from time to time (the "**Ranch Restrictions**").

1.6.2. "**Ranch HOA**" means the mandatory association of homeowners in The Ranch, which association is initially named The Ranch Owners Association. "**Ranch Board**" means the Board of Directors of the Ranch HOA.

**ARTICLE 2**  
**INTRODUCTION**

2.1. PARTIES. The primary parties to which this instrument pertains are the Gables HOA and the Ranch HOA, the members of which are the owners of homes in The Gables and The Ranch. By acquiring an ownership or occupancy interest in The Gables or The Ranch, whether or not it is so expressed in the instrument of conveyance, each owner and resident automatically acquires the nonexclusive right to use the GRMA Property, subject to suspension for nonpayment of assessments or violation of rules pertaining to the GRMA Property.

2.2. GENERAL POWERS AND DUTIES. The Maintenance Association, acting through Board, has the powers and duties necessary for the administration of the affairs of the Maintenance Association and for the operation and maintenance of the GRMA Property as may be required or permitted by this instrument, the certificate of formation, and applicable law. The Maintenance Association may do any and all things that are lawful and which are necessary, proper, or desirable in operating for the best interests of its two members and their respective members, subject only to limitations upon the exercise of such powers as may be contained in applicable law, in this instrument, or in the certificate of formation.

**ARTICLE 3**  
**GRMA PROPERTY**

3.1. OWNERSHIP. The designation of GRMA Property as a common area is determined by the plat and this instrument, and not by the ownership of the GRMA Property. This instrument contemplates that the GRMA will eventually hold title to every GRMA Property capable of independent ownership by GRMA. Developers may install, construct, or authorize certain improvements on GRMA Property in connection with the initial development of The Gables and The Ranch, and the cost thereof is not a GRMA common

expense. Thereafter, all costs attributable to GRMA Property, including maintenance, property taxes, insurance, and enhancements, are automatically GRMA's responsibility, regardless of the nature of title to the GRMA Property.

**3.2. ACCEPTANCE.** By signing this instrument, the Gables HOA and the Ranch HOA are deemed (1) to accept the GRMA Property, and any improvement thereon, in its then-existing "as is" condition; (2) to acknowledge the authority of the Maintenance Association, acting through its Board of Directors, for all decisions pertaining to the GRMA Property; (3) to acknowledge that transfer of title to GRMA is a ministerial task that does not require acceptance by GRMA; and (4) to acknowledge the continuity of maintenance of the GRMA Property, regardless of changes in the GRMA Board or management.

**3.3. PERSONAL RESPONSIBILITY.** Each owner, by accepting an interest in or title to a lot in The Gables or The Ranch, whether or not it is so expressed in the instrument of conveyance, and each resident in The Gables or The Ranch, by occupying a home in The Gables or The Ranch, acknowledges, understands, and agrees to each of the following statements, for himself, the members of his household, and his and their guests:

- a. Each owner and resident agrees to be informed about and to comply with the published or posted common area rules of the Maintenance Association.
- b. The use and enjoyment of any recreation amenity on the GRMA Property involves risk of personal injury, risk of death, and risk of damage or loss to property.
- c. Each person using any common amenity in the GRMA Property assumes all risks of personal injury, death, and loss or damage to property resulting from the use and enjoyment of any GRMA Property.
- d. Parents, guardians, hosts, caretakers, and supervisors are at all times responsible for the well being and safety of their children and guests in their use of the GRMA Property. The parent, guardian, host, caretaker, and supervisor assumes responsibility for having skills appropriate for the facility being used by his charges.
- e. Developers, the Builders, the Maintenance Association, and their respective directors, officers, committees, agents, and employees are not providers, insurers, or guarantors of personal safety in or on the GRMA Property.
- f. Developers, Builders, the Maintenance Association, and their respective directors, officers, committees, agents, and employees have made no representations or warranties - verbal or written - relating to safety or lack of risks pertaining to the GRMA Property and the improvements thereon.
- g. Each owner and resident agrees to educate the members of his household and his and their guests about the risks, responsibilities, and releases from liability contained in this Article.

**3.4. LIABILITY RELEASE.** Each owner and resident of The Gables and The Ranch further acknowledges, understands, and agrees to each of the following statements, for himself, the members of his household, and his and their guests:

**3.4.1. Consideration.** Each owner and resident grants the releases from liability contained in this Article as consideration for, and as a condition to, the owner and resident's use and enjoyment of the GRMA Property. Each owner and resident acknowledges and agrees that the

releases from liability contained in this Article are a material inducement to the Developers and Builders to sell, convey, lease, or allow the use of lots and homes in The Gables and The Ranch.

**3.4.2. Release for Injury or Loss.** Developers, Builders, the Maintenance Association, and their respective directors, officers, committees, agents, and employees may not be held liable to any person claiming any loss or damage including, without limitation, indirect, special, or consequential loss or damage arising from personal injury or death, destruction of property, trespass, loss of enjoyment, or any other wrong or entitlement to remedy based upon, due to, arising from, or otherwise relating to the design, construction, maintenance, or use of any GRMA Property, expressly including every recreational facility and item of equipment used in connection with the GRMA Property, including, without limitation, any claim arising in whole or in part from the negligence of a Developer, a Builder, or the Maintenance Association.

**3.4.3. Indemnity for Common Area Operations.** The Maintenance Association indemnifies, defends, and holds harmless the Developers against any loss, claim, demand, damage, cost, and expense relating to or arising out of the management and operation of the Maintenance Association, including without limitation, the levy and collection of assessments, the enforcement of the rules, and the operation and maintenance of the GRMA Property. Indemnified expenses include, without limitation, reasonable attorneys fees, whether or not a lawsuit is filed, and costs at all court levels, including expenses incurred by the Developers in establishing the right to be indemnified, defended, and held harmless pursuant to this instrument.

**3.4.4. Negligence.** The releases and indemnities contained in this Article are intended to release and indemnify the specified parties from liability for their own negligence.

**3.4.5. Violation.** Each owner and resident of The Gables and The Ranch understands and agrees that the owner or resident's violation of the release agreement contained in this Article may result in suspension or termination of the use of any common area amenities by the owner or resident, the members of his household, and his and their guests.

## **ARTICLE 4** **GRMA BUDGET & ASSESSMENTS**

**4.1. ANNUAL BUDGET.** The GRMA Board will prepare and approve an estimated annual budget for each fiscal year. The budget will take into account the estimated income and expenses for the year, and contributions to reserve funds. The GRMA Board will make the budget or its summary available to the officers and directors of the Gables Board and the Ranch Board, although failure to receive a budget or summary does not affect a member association's liability for assessments. The GRMA Board will provide copies of the detailed budget to any person to makes written request and pays a reasonable processing charge. A Developer that controls either the Gables HOA or the Ranch HOA may require the GRMA to continue providing services (such as lifeguards) and performing functions that are addressed in the initial GRMA budget, at the same level or frequency, until the period of Developer control ends.

**4.2. RESERVE FUNDS.** The Maintenance Association will establish, maintain, and accumulate reserves for operations and for replacement and repair of GRMA Property. The Maintenance Association will maintain operations reserves at a level determined by the GRMA Board to be sufficient to cover the cost of operational or maintenance emergencies or contingencies, such as the full amount of deductibles on insurance policies maintained by the Maintenance Association. The Maintenance Association will endeavor to maintain replacement and repair reserves at a level that anticipates the scheduled replacement or major repair of components of the GRMA Property.

4.3. DUE DATE. The GRMA Board may invoice the two member associations on any periodic basis - annually, semi-annually, quarterly, or monthly.

4.4. TYPES OF LEVIES. There are 3 types of levies that the GRMA may make on each member association: Regular, Special, and Neighborhood.

4.4.1. Regular Levies. Regular levies are based on the GRMA annual budget. Each member association is liable for its pro rata share of the GRMA annual budget. If the GRMA Board does not approve an annual budget for any year, or delays in doing so, both member associations will continue to pay their respective pro rata shares as last determined. If during the course of a year the GRMA Board determines that the annual budget is insufficient to cover the estimated common expenses for the remainder of the year, the GRMA Board may increase the budget for the remainder of the fiscal year in an amount that covers the estimated deficiency. Regular levies are used for common expenses related to the reoccurring, periodic, and anticipated responsibilities of the Maintenance Association, including but not limited to:

- a. Maintenance, repair, and replacement, as necessary, of the GRMA Property.
- b. Utilities billed to the Maintenance Association.
- c. Services billed to the Maintenance Association and serving both subdivisions.
- d. Taxes on GRMA Property and GRMA's income taxes.
- e. Management, legal, accounting, auditing, and professional fees for services to GRMA.
- f. Costs of operating GRMA, such as telephone, postage, office supplies, printing, meeting expenses, and educational opportunities of benefit to GRMA.
- g. Premiums and deductibles on insurance policies and bonds required by this instrument or deemed by the GRMA Board to be necessary or desirable for the benefit of the Maintenance Association, including fidelity bonds and directors and officers liability insurance.
- h. Contributions to the reserve funds.
- i. Any other expense which the Association is required by law or this instrument to pay, or which in the opinion of the GRMA Board is necessary or proper for the operation and maintenance of the GRMA Property or for enforcement of this instrument or the Rules adopted by the GRMA Board.

4.4.2. Special Levies. In addition to regular levies, the GRMA Board may levy one or more special assessments against both member associations for the purpose of defraying, in whole or in part, common expenses not anticipated by the annual budget or reserve funds. Special levies do not require the approval of the Gables Board or the Ranch Board, except that special levies for the following purposes must be approved by both the Gables Board and the Ranch Board:

- a. Acquisition of real property.
- b. Construction of additional improvements or enhancements within the GRMA Property, but not replacement of original improvements.

c. Any expenditure that may reasonably be expected to significantly increase the Maintenance Association's responsibility and financial obligation for operations, insurance, maintenance, repairs, or replacement.

**4.4.3. Neighborhood Levies.** The Maintenance Association may contract with the Gables HOA for maintenance of its common areas or to provide services to residents of The Gables. Similarly, the Maintenance Association may contract with the Ranch HOA for maintenance of its common areas or to provide services to residents of The Ranch. In either event, the Maintenance Association will levy a neighborhood assessment against the member association with which it contracts.

**4.5. ALLOCATING BUDGET.** The annual GRMA budget, regular levies, and special levies, will be allocated between the two member associations on the basis of each association's share of the total number of lots in both subdivisions as fully phased and fully platted. Each member association will pay a prorata share of the GRMA budget, regular levies, and special levies, that results in each house lot in both subdivisions paying the same amount of assessment regardless of the size, value, or location of the lot or its improvements.

**4.5.1. Initial Allocation.** On the date of this instrument, the total lot count for The Gables, when fully developed is projected to be 282 lots. The total lot count for The Ranch when fully developed is projected to be 576 lots. The combined projected total number of lots for the two communities is 858 lots. Accordingly each member association's share is calculated as follows:

- Gables HOA is responsible for 33 percent of the GRMA budget, that being the total lots in The Gables divided by the total combined lots in The Gables and The Ranch.
- Ranch HOA is responsible for 67 percent of the GRMA budget, that being the total lots in The Ranch divided by the total combined lots in The Gables and The Ranch.

**4.5.2. Change of Allocation.** When The Ranch and The Gables are fully platted and fully phased, the GRMA Board will determine whether an adjustment needs to be made in the allocations based on the final actual lot counts in order to preserve a uniform rate of assessment for each house lot in both subdivisions.

**4.6. GRMA'S RIGHT TO BORROW MONEY.** The Maintenance Association is granted the right to borrow money, subject to the consent of the Gables Board and the Ranch Board and the ability of the Maintenance Association to repay the borrowed funds from its budgeted income. To assist its ability to borrow, the Maintenance Association is granted the right to encumber, mortgage, pledge, or deed in trust any of its real or personal property, and the right to assign its right to future income, as security for money borrowed or debts incurred, provided that the rights of the lender in the pledged property are subordinate and inferior to the rights of the Gables HOA and the Ranch HOA to use the GRMA Property for its intended purposes as shared common areas.

**4.7. LIMITATIONS OF INTEREST.** The Maintenance Association, and its officers, directors, managers, and attorneys, intend to conform strictly to the applicable usury laws of the State of Texas. Notwithstanding anything to the contrary in this instrument or any other document or agreement executed or made in connection with the GRMA's budget and collection of assessments from the Gables HOA and the Ranch HOA, the Maintenance Association will not in any event be entitled to receive or collect, as interest, a sum greater than the maximum amount permitted by applicable law. If from any circumstances whatsoever, GRMA ever receives, collects, or applies as interest a sum in excess of the maximum rate permitted by law, the excess amount will be applied to the reduction of the member association's pro rata share, or reimbursed to the member association if its share of the budget is paid in full.

4.8. **NONPAYMENT OF PRO RATA SHARE.** If a member association fails to pay a levied assessment to the Maintenance Association in full and on time, its representatives on the GRMA Board may participate in discussion, but may not vote on a decision by the GRMA Board to collect the member's delinquent assessment, including without limitation the following rights and remedies of the GRMA against the delinquent member association. Collection and enforcement decisions will be made by the remaining members of the GRMA Board, even if less than a quorum of the entire GRMA Board.

4.8.1. **Interest.** Delinquencies are subject to interest from the due date until paid, at a rate to be determined by the GRMA Board from time to time, not to exceed the lesser of 18 percent or the maximum permitted by law. If the GRMA Board fails to establish a rate, the rate is 10 percent per annum.

4.8.2. **Costs of Collection.** The delinquent member association is liable to the GRMA for reimbursement of reasonable costs incurred by GRMA to collect the delinquent pro rata share, including attorneys fees and administrative fees charged by the GRMA manager.

4.8.3. **Acceleration.** If a member association defaults in paying an assessment that is payable in installments, GRMA may accelerate the remaining installments on 10 days' written notice to the defaulting member association. The entire unpaid balance of the assessment becomes due on the date stated in the notice.

4.8.4. **Suspension of Use.** If a member association's account has been delinquent for at least 30 days, GRMA may suspend the right of owners and residents in the subdivision governed by the member association to use GRMA Property during the period of delinquency. Suspension does not constitute a waiver or discharge of the member association's obligation to pay assessments levied by GRMA.

4.8.5. **Money Judgment.** The Maintenance Association may file suit seeking a money judgment against the member association that is delinquent in paying assessments levied by the GRMA.

## **ARTICLE 5** **MAINTENANCE AND REPAIR OBLIGATIONS**

5.1. **GRMA MAINTAINS.** GRMA's maintenance obligations will be discharged when and how the GRMA Board deems appropriate. The Association maintains, repairs, and replaces, as a common expense, the portions of the Property listed below, regardless of whether the portions are on lots or common areas.

- a. The GRMA Property.
- b. Any real and personal property owned by the Association but which is not a GRMA Property.
- c. Any property adjacent to the GRMA Property if maintenance of same is deemed to be in the best interests of the Maintenance Association, and if not prohibited by the owner or operator of said property.
- d. Any area, item, easement, or service - the maintenance of which is assigned to the Maintenance Association by the Gables HOA, the Ranch HOA, or by the plat.

5.2. **INSURANCE.** The cost of insurance coverages and bonds maintained by GRMA is an expense of the Maintenance Association. Insurance policies and bonds obtained and maintained by GRMA must be

issued by responsible insurance companies authorized to do business in the State of Texas. GRMA must be the named insured on all policies obtained by GRMA. The GRMA Board is hereby designated to be the insurance trustee, authorized to negotiate, receive, administer, and distribute the proceeds of any claim against an insurance policy maintained by GRMA. Additionally:

5.2.1. Property. To the extent it is reasonably available, GRMA will obtain blanket all-risk insurance for insurable improvements on the GRMA Property. If blanket all-risk insurance is not reasonably available, then GRMA will obtain an insurance policy providing fire and extended coverage.

5.2.2. General Liability. GRMA will maintain a commercial general liability insurance policy over the GRMA Property for bodily injury and property damage resulting from the operation, maintenance, or use of the GRMA Property.

5.2.3. Directors & Officers Liability. To the extent it is reasonably available, GRMA will maintain directors and officers liability insurance, errors and omissions insurance, indemnity bonds, or other insurance the GRMA Board deems advisable to insure GRMA's directors, officers, committee members, and managers against liability for an act or omission in carrying out their duties in those capacities.

5.2.4. Other Coverages. GRMA may maintain any insurance policies and bonds deemed by the GRMA Board to be necessary or desirable for the benefit of GRMA, including but not limited to worker's compensation insurance, fidelity coverage, and any insurance and bond requested and required by a member association or its insurance professional.

## **ARTICLE 6** **BOARD OF DIRECTORS**

6.1. NUMBER. Although the Maintenance Association has only two members, its Board of Directors will consist of five numbered positions. The number of directors may be changed by amendment of this instrument, but may not be less than three, with each member electing or appointing the same number of directors. The five-person Board will be filled as follows:

- Director 1 - a person elected or appointed by the Gables Board
- Director 2 - a person elected or appointed by the Gables Board
- Director 3 - a person elected or appointed by the Ranch Board
- Director 4 - a person elected or appointed by the Ranch Board
- Director 5 - a person elected or appointed by the Ranch Board

6.2. TERM. Absent death, ineligibility, resignation, or removal, a GRMA director will hold office until his successor is elected or appointed.

6.2.1. Directors 1 & 2. Directors 1 and 2 serve at the pleasure of the Gables Board and may be removed and replaced at any regular or special meeting of the Gables Board. The length of their term and whether their terms are staggered are determined by the Gables Board. Vacancies in these two positions are filled by the Gables Board.

6.2.2. Directors 3, 4 & 5. Directors 3, 4, and 5 serve at the pleasure of the Ranch Board and may be removed and replaced at any regular or special meeting of the Ranch Board. The length of their term and whether their terms are staggered are determined by the Ranch Board. Vacancies in these three positions are filled by the Ranch Board.

6.3. **REMOVAL BY GRMA BOARD MAJORITY.** A GRMA director may not be removed by the other directors of the Maintenance Association, except for the following limited reasons for which a director may be removed by at least a majority of the other directors at a meeting of the GRMA Board called for that purpose:

- a. The GRMA director is a party adverse to the Maintenance Association, the GRMA Board, or a committee of the Maintenance Association in pending litigation to which the Maintenance Association, GRMA Board, or GRMA committee is a party, provided the Maintenance Association did not file suit to effect removal of the director.
- b. The GRMA director was an "interested person" in the outcome of a contract, decision, or transaction considered by the GRMA Board, and (1) failed to fully or timely disclose same to the GRMA Board, or (2) failed to abstain from voting on the matter.

6.4. **COOPERATION.** Because the GRMA directors are appointed or elected by different organizations, it is imperative that each director make a diligent effort to be cooperative, respectful, responsive, and civil in activities and communications with the other GRMA directors pertaining to the purposes of the Maintenance Association. Further, each GRMA director, regardless of how appointed, is expected to take actions and make decisions based on what is in the best interest of homeowners in The Gables and The Ranch, as a single combined community that shares use of the GRMA Property.

6.5. **QUALIFICATION.** Each member of the Maintenance Association may establish its own qualification criteria for its appointments to the GRMA Board. In the absence of specified qualification criteria, the following may be considered in electing or appointing persons to the GRMA Board:

- a. Officers and directors of the Gables HOA or the Ranch HOA may serve on the GRMA Board.
- b. Ownership or occupancy of a home in The Gables or The Ranch is not a requirement for service on the GRMA Board.
- c. Professional directors may serve on the GRMA Board and be compensated for their service, provided they are not members of the Gables HOA or the Ranch HOA.
- d. Ownership or occupancy of a home in The Ranch does not disqualify a person from being appointed to the GRMA Board by the Gables Board, and vice versa.

6.6. **MEETINGS OF THE GRMA BOARD.**

6.6.1. **Organizational Meeting of the GRMA Board.** Within 10 days after the annual meeting, the directors will convene an organizational meeting for the purpose of electing officers. The time and place of the meeting will be fixed by the GRMA Board and announced to the directors.

6.6.2. **Place of Board Meetings.** The GRMA Board will conduct its meetings at a time and location that are reasonably convenient for the greatest number of GRMA directors. The decision of where to meet may be made on a meeting by meeting basis by the officer or director who calls the meeting, by Board resolution, or by any other practice that is customary for associations of this type.

6.6.3. **Types of Board Meetings.** Regular meetings of the GRMA Board may be held at a time and place that the GRMA Board determines, from time to time, but at least two such meetings must be held each year. Special meetings of the GRMA Board may be called, with notice, by the president

or, if he is absent or refuses to act, by the secretary, or by any 2 directors. In case of emergency, the GRMA Board may convene an emergency meeting to the purpose of dealing with the emergency after making a diligent attempt to notify each director by any practical method.

**6.6.4. Notice to Directors of Board Meetings.** Notice is not required for regular meetings of the GRMA Board, provided all directors have actual or constructive knowledge of the meeting date, time, and place. Notice of a special meeting must be given at least one day in advance of the meeting. If notice is given, it may be given by any method or combination of methods that is likely to impart the information to the directors.

**6.6.5. Conduct of Meetings.** The president presides over meetings of the GRMA Board and the secretary keeps, or causes to be kept, a record of resolutions adopted by the GRMA Board and a record of transactions and proceedings occurring at meetings. When not in conflict with law or the Governing Documents, the then current edition of Robert's Rules of Order governs the conduct of the meetings of the GRMA Board.

**6.6.6. Quorum.** At meetings of the GRMA Board, a quorum consists of a majority of directors, provided each member is represented by at least one director. If less than a quorum is present at a meeting of the GRMA Board, the majority of those present may adjourn the meeting from time to time. At any reconvened meeting at which a quorum is present, any business that may have been transacted at the meeting as originally called may be transacted without further notice.

**6.6.7. Acts & Decisions.** The acts of the majority of the directors present at a meeting at which a quorum is present are the acts of the GRMA Board, provided each member is represented by at least one director in the consenting majority.

**6.6.8. Minutes.** The written report of a GRMA Board meeting is not the minutes of the meeting until approved by the directors at a future meeting. The minutes must report actions taken by the GRMA Board, but need not report the substance of discussion.

**6.6.9. Voting.** A GRMA director who is also a GRMA officer, even the presiding officer, is expected to participate and to vote in the manner of every other GRMA director. The GRMA president is not prohibited from voting and is not limited to tie-breaking votes. Directors may not participate by proxy at meetings of the GRMA Board.

**6.6.10. Open Meetings.** Regular and special meetings of the GRMA Board are open to the officers, directors, attorneys, and managers of the Gables HOA and the Ranch HOA. It is within the discretion of the GRMA Board to open its meetings to homeowners and residents of The Gables and The Ranch.

**6.6.11. Executive Session.** The GRMA Board may adjourn any regular or special meeting of the GRMA Board and reconvene in executive session, subject to the following conditions:

- a. The nature of business to be considered in executive session will first be announced in open session.
- b. No action may be taken nor decision made in executive session, which is for discussion and informational purposes only.
- c. The limited purposes for which the GRMA Board may convene in executive session are (1) to confer with the Maintenance Association's legal counsel, (2) to discuss litigation

or resolution of claims with which the Maintenance Association is threatened or involved, (3) to discuss labor or personnel matters, (4) to discuss a complaint from or an alleged violation by an owner or resident of The Gables or The Ranch when the GRMA Board determines that public knowledge would be injurious to the owner or resident, and (5) on advice of counsel, to discuss matters of a particularly sensitive nature.

- d. At the end of the executive session, the GRMA Board must return to the open meeting and announce the general nature of the business that was considered in executive session. Any vote, act, or decision that would have been made in executive session (but for this requirement) must be made in the open meeting.
- e. The GRMA Board is not required to make or maintain minutes of executive sessions.

**6.6.12. Telephone Meetings.** Members of the GRMA Board or any committee of the Maintenance Association may participate in and hold meetings of the GRMA Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in such meeting constitutes presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

**6.7. ACTION WITHOUT MEETING.** Any action required or permitted to be taken by the GRMA Board at a meeting may be taken without a meeting, subject to the following requirements:

**6.7.1. Unanimous Consents.** If all directors individually or collectively consent in writing to such action, the written consents have the same force and effect as the unanimous approval of directors at a meeting.

**6.7.2. Majority Consents.** If at least a majority of the directors, individually or collectively, consent in writing to such action, the written consents have the same force and effect as approval by a majority of the directors at a meeting, provided each member is represented by at least one consenting director. Prompt notice of the action so approved must be delivered to each non-consenting director.

**6.7.3. Procedures.** Written consents must state the date of each director's signature. The required number of written consents must be received by the Maintenance Association within 60 days after the date of the earliest dated consent. Written consents must be filed with the minutes of Board meetings. Additional procedures may be required by the Code.

**6.8. POWERS AND DUTIES.** The GRMA Board has all the powers and duties necessary for the administration of the Maintenance Association and for the operation and maintenance of the GRMA Property, including, but are not limited to, the following:

**6.8.1. Appointment of Committees.** The GRMA Board, by resolution, may from time to time designate standing or ad hoc committees to advise or assist the GRMA Board with its responsibilities. The resolution may establish the purposes and powers of the committee created, provide for the appointment of a chair and committee members, and may provide for reports, termination, and other administrative matters deemed appropriate by the GRMA Board. Members of committees will be appointed from among the owners and residents of The Gables and The Ranch. The GRMA Board

may not appoint a committee to act in its place in managing the affairs of the Maintenance Association.

6.8.2. Manager. The GRMA Board may employ a manager or managing agent for the Maintenance Association, at a compensation established by the GRMA Board, to perform duties and services authorized by the GRMA Board.

6.8.3. Emergency Powers. An emergency exists for purposes of this Section if a local, state, or national government or governmental entity declares a disaster or state of emergency in the area in which the GRMA Property is located, or declares a state of war. In anticipation of, during, or in the aftermath of an emergency, the officers and directors may take or authorize any action they deem necessary or advisable to protect lives and property. A decision or action made in good faith under emergency conditions may not be used to impose liability on an officer, director, employee, or agent of the Maintenance Association.

6.9. FIDELITY BONDS. Any person handling or responsible for Maintenance Association funds, including officers, agents, and employees of the Maintenance Association, must furnish adequate fidelity bonds. The premiums on the bonds may be a common expense of the Maintenance Association.

## **ARTICLE 7** **OFFICERS**

7.1. DESIGNATION. The principal officers of the Maintenance Association are the president, the vice-president, the secretary, and the treasurer. The GRMA Board may appoint one or more vice-presidents and other officers and assistant officers as it deems necessary. The president and secretary must be directors. Other officers may, but need not, be members or directors. Any two offices may be held by the same person, except the offices of president and secretary. If an officer is absent or unable to act, the GRMA Board may appoint a director or a committee to perform the duties of that officer and to act in place of that officer, on an interim basis.

7.2. ELECTION OF OFFICERS. The officers are elected no less than annually by the directors and hold office at the pleasure of the GRMA Board. Except for resignation or removal, officers hold office until their respective successors have been designated by the GRMA Board.

7.3. REMOVAL AND RESIGNATION OF OFFICERS. A majority of directors may remove any officer, with or without cause, at any regular meeting of the GRMA Board or at any special meeting of the GRMA Board called for that purpose. A successor may be elected at any regular or special meeting of the GRMA Board called for that purpose. An officer may resign at any time by giving written notice to the GRMA Board. Unless the notice of resignation states otherwise, it is effective when received by the GRMA Board and does not require acceptance by the GRMA Board. The resignation or removal of an officer who is also a director does not constitute resignation or removal from the GRMA Board.

7.4. AUTHORIZED AGENTS. The GRMA Board may authorize any person to execute instruments on behalf of the Maintenance Association. In the absence of Board designation, the president and the secretary are the only persons authorized to execute instruments on behalf of the Maintenance Association.

## **ARTICLE 8** **STANDARDS**

8.1. SEPARATE LIABILITY. The Maintenance Association is a legal entity separate from its members for the purposes of determining and enforcing rights, duties, and liabilities in contract and tort. Directors

and officers of the Maintenance Association are not personally and individually liable for the Maintenance Association's breach of a contract or for the Maintenance Association's tort or omission merely because they are directors or officers of the Maintenance Association.

8.2. GENERAL STANDARDS. The general standards of duty for an officer or director of the Maintenance Association are the State's standards for officers and directors of a nonprofit corporation, as stated in the Code as it may be amended. On the date of this document, Sections 22.221 and 22.235 of the Code provide the following standards:

- a. A director will discharge the director's duties in good faith, with ordinary care, and in a manner the director reasonably believes to be in the best interest of the Maintenance Association.
- b. An officer or director is not liable to the Maintenance Association, its members, or another person for an action taken or not taken as a director if the director acted in compliance with the above-stated standard for discharging duties. A person seeking to establish liability of an officer or director must prove that the officer or director did not act (1) in good faith, (2) with ordinary care, and (3) in a manner the officer or director reasonably believed to be in the best interests of the Maintenance Association.

8.3. RELIANCE. An officer or director may rely on information prepared or presented by (1) an officer or employee of the Maintenance Association, (2) an attorney licensed by the State of Texas, (3) a certified public accountant, (4) an investment banker, or (5) a person whom the officer or director reasonably believes to possess professional expertise in the matter, and (6) in the case of a director, a committee of the Maintenance Association of which the director is not a member. Such reliance must be exercised in good faith and with ordinary care. An officer or director may not rely on such information if he has actual knowledge that makes the reliance unwarranted.

8.4. COMPENSATION. Except as permitted below, a director or officer of the Maintenance Association is not entitled to receive financial or monetary profit from the operation of the Maintenance Association, and no funds or assets of the Maintenance Association may be paid as salary or compensation to, or be distributed to, or inure to the benefit of (1) a director or officer of the Maintenance Association, (2) an officer or director of the Gables Board, (3) an officer or director of the Ranch Board, or (4) an owner or resident of The Gables or The Ranch. Notwithstanding the foregoing:

- a. Reasonable compensation may be paid to a director, officer, homeowner or resident for services rendered to the Maintenance Association in other capacities.
- b. A director, officer, homeowner or resident may, from time to time, be reimbursed for his actual and reasonable expenses incurred on behalf of the Maintenance Association in connection with the administration of the affairs of the Maintenance Association, provided the expense has been approved by the GRMA Board.
- c. The GRMA Board may budget and use Maintenance Association funds to purchase awards, certificates, a celebratory meal, or other customary tokens or demonstrations of appreciation for volunteer activities.

8.5. LOANS. The Maintenance Association may not loan money to or guaranty a loan for an officer or director of the Maintenance Association.

8.6. **CONFLICT OF INTERESTS.** If a contract or transaction is fair to the Maintenance Association, it is not disallowed merely because an officer or director has a financial interest in the transaction, provided (1) the "interested" officer or director fully and accurately discloses the nature of his interest to the GRMA Board in a manner that is timely for the GRMA Board's consideration of the contract or transaction, and (2) the "interested" officer or director does not participate in the vote to approve the contract or transaction, although the "interested" director may be counted toward a quorum at the meeting. Nothing in this Section may be construed to prevent the GRMA Board from adopting policies and procedures that are more stringent than the requirements of this Section, or of applicable law, such as Sections 1.003, 1.004, and 22.230 of the Code.

## **ARTICLE 9** **MEETINGS OF THE MAINTENANCE ASSOCIATION**

9.1. **ANNUAL MEETING.** An annual meeting of the Maintenance Association will be held during the month of October of each year. Because the two members do not have voting rights, the primary purpose of the annual meeting is for the GRMA Board to report to the officers and directors of the Gables HOA and the Ranch HOA and to discuss issues of common interest to the three associations.

9.2. **SPECIAL MEETINGS.** It is the duty of the president to call a special meeting of the Maintenance Association if directed to do so by (1) any two GRMA directors, (2) any two GRMA officers, (3) the Gables Board, or (4) the Ranch Board.

9.3. **PLACE OF MEETINGS.** Meetings of the Maintenance Association may be held at the GRMA Property or at a suitable place convenient to the members, as determined by the GRMA Board.

9.4. **NOTICE OF MEETINGS.** Subject to the provisions below, at the direction of the GRMA Board, written notice of meetings of the Maintenance Association will be given to each director and officer of the Gables Board and to each director and officer of the Ranch Board at least 10 days but not more than 60 days prior to the meeting. Notices of meetings will state the date, time, and place the meeting is to be held. Notices will identify the type of meeting as annual or special, and will state the particular purpose of a special meeting. Notices may also set forth any other items of information deemed appropriate by the GRMA Board.

9.4.1. **Notice Exception.** Individual notice of the regular annual meeting of the Maintenance Association is not required if (1) the time and place of the meeting is largely unchanged from year to year and (2) information about the time and place is routinely available to the directors of each member association. This exception does not apply to special meetings of the Maintenance Association, or to changes in the time and place of the regular annual meeting.

9.4.2. **Special Meeting Notice.** Within 30 days after the GRMA Board resolution or receipt of a member association's request, the GRMA Board must give all officers and directors of both member associations notice of the special meeting. If the GRMA Board fails or refuses to call the special meeting in a timely manner, either the Gables Board or the Ranch Board may do so. The notice of any special meeting must state the time, place, and purpose of the meeting. No business, except the purpose stated in the notice of the meeting, may be transacted at a special meeting.

9.5. **QUORUM.** At any meeting of the Maintenance Association, the presence in person or by proxy of (1) at least a quorum of the GRMA Board, (2) at least a quorum of the Gables Board, and (3) at least a quorum of the Ranch Board constitutes a quorum. A director of any of the 3 associations (GRMA, Ranch, Gables) who participates is deemed "present" and may be counted towards a quorum unless the director

participates for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

9.6. CONDUCT OF MEETINGS. The president, or any person designated by the GRMA Board, presides over meetings of the Maintenance Association. The secretary keeps, or causes to be kept, the minutes of the meeting which should record the types of reports given and the topics of discussion, but not the detail of the reports or the discussion.

9.7. ORDER OF BUSINESS. Unless the notice of meeting states otherwise, or the assembly adopts a different agenda at the meeting, the order of business at meetings of the Maintenance Association is as follows:

- Determine votes present by roll call or check-in procedure
- Announcement of quorum
- Proof of notice of meeting
- Approval of minutes of preceding meeting
- Reports
- Unfinished or old business
- New business

9.8. ADJOURNMENT OF MEETING. At any meeting of the Maintenance Association, a majority of the directors of the member associations present at the meeting, either in person or by proxy, may adjourn the meeting to another time and place.

9.9. MEETINGS BY REMOTE COMMUNICATIONS. Members of the Maintenance Association may participate in and hold meetings of the Maintenance Association by means of electronic town halls, conference telephone or similar communications equipment by means of which all persons participating in the meeting can communicate concurrently. Participation in the meeting constitutes presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

## ARTICLE 10 RULES

10.1. RULES. The GRMA Board has the right to establish and amend, from time to time, reasonable rules and regulations for: (1) the administration of the Maintenance Association, and (2) the maintenance, management, operation, use, conservation, and beautification of the GRMA Property. The GRMA Board will, at all times, maintain the then current and complete rules in a written form which can be copied and distributed to the member associations.

10.2. ADOPTION AND AMENDMENT. Any rule may be adopted, amended, or terminated by the GRMA Board, provided that the rule and the requisite Board approval are properly recorded as a resolution in the minutes of the meeting of the GRMA Board.

10.3. NOTICE AND COMMENT. At least 10 days before the effective date of a new rule or of a substantive amendment of a rule, the GRMA Board will give written notice of the proposed rule or rule change to the Gables Board and the Ranch Board. Each Board (Gables and Ranch) has the right to comment orally or in writing to the GRMA Board on the proposed rule or rule change. Prior notice is not required for a rule or rule change adopted by the GRMA Board at a meeting of the Maintenance Association for which a quorum is present.

10.4. **DISTRIBUTION**. On request from either member association, the GRMA Board will provide a current and complete copy of rules. Additionally, the GRMA Board may, from time to time, distribute copies of the current and complete rules to both member associations and to their respective members or to the residents of The Gables and The Ranch.

## **ARTICLE 11** **ENFORCEMENT**

11.1. **SUSPENSION FOR DELINQUENCY**. If a member of the Gables HOA is delinquent in his financial obligations to the Gables HOA, the Gables Board may notify the Maintenance Association of the delinquency and request suspension of delinquent owner's right to use the GRMA Property for recreational purposes until the delinquency is cured. If a member of the Ranch HOA is delinquent in his financial obligations to the Ranch HOA, the Ranch Board may notify the Maintenance Association of the delinquency and request suspension of delinquent owner's right to use the GRMA Property for recreational purposes until the delinquency is cured. The GRMA will make a diligent effort to honor such requests for suspension of use privileges.

11.2. **ENFORCEMENT BY MEMBER**. If an owner or resident, or the guest of an owner or resident, violates a posted or published rule of the Maintenance Association, the GRMA Board will notify the Gables Board or the Ranch Board, as applicable to the owner or resident, of the violation and the consequences, and will delegate to the member association responsibility (1) for obtaining compliance by the owner or resident, as applicable, and (2) for collection of (i) fines, (ii) reimbursement for damages, or (iii) reimbursement of legal fees, as applicable.

11.3. **SUSPENSION FOR VIOLATION**. If an owner or resident, or the guest of an owner or resident, violates a posted or published rule of the Maintenance Association or damages the GRMA Property, the GRMA may suspend use of the GRMA Property by the owner, the residents, and their respective guests for up to 30 days for a single violation.

## **ARTICLE 12** **NOTICES**

12.1. **DELIVERY OF NOTICES**. Any written notice required or permitted by this instrument may be given personally, by mail, by fax, by email, or by any other method permitted by applicable law, such as the Texas Business Organizations Code. If mailed, the notice is deemed delivered when deposited in the U.S. mail addressed to the member at the address shown on the Maintenance Association's records. If transmitted by fax or email, the notice is deemed delivered on successful transmission of the facsimile or electronic correspondence. The notice must be sent to the party's last known address as it appears on the records of the Maintenance Association at the time of transmission. If the party has not given the Maintenance Association an effective address, the notice may be sent to the registered agent or the managing agent of the member association. If the Maintenance Association properly transmits the notice, the owner is deemed to have been given notice whether or not he actually receives it.

12.2. **WAIVER OF NOTICE**. Whenever a notice is required to be given, a written waiver of the notice, signed by the person entitled to the notice, whether before or after the time stated in the notice, is equivalent to giving the notice. Attendance by a director at any meeting of the GRMA Board constitutes a waiver of notice by the director of the time, place, and purpose of the meeting. If all directors are present at any meeting of the GRMA Board, no notice is required and any business may be transacted at the meeting.

## **ARTICLE 13** **INDEMNIFICATION**

13.1. **GENERAL.** The purpose of this Article is to mandate some of the permissive provisions of Chapter 8 of the Code, and to indemnify Maintenance Association Leaders whether or not the Maintenance Association is incorporated at the time indemnification is needed. The definitions of Chapter 8 of the Code are hereby incorporated by reference, without regard to the corporate status of the Maintenance Association. As used in this Article, "**Maintenance Association Leader**" means a person who is a current or former officer or director of the Maintenance Association, or a current or former committee chair or committee member of the Maintenance Association.

13.2. **MANDATORY INDEMNIFICATION.** The Maintenance Association will indemnify an Maintenance Association Leader who was, is, or is threatened to be made a named defendant or respondent in a proceeding because the person is or was an Maintenance Association Leader, if the following determinations are made.

13.2.1. **Determinations.** It must be determined that the person acted in good faith, and that:

- a. the person reasonably believed (1) in the case of conduct in the person's official capacity, that the person's conduct was in the Maintenance Association's best interest, or (2) in any other case, that the person's conduct was not opposed to the Maintenance Association's best interests;
- b. in the case of a criminal proceeding, the person did not have a reasonable cause to believe the person's conduct was unlawful;
- c. with respect to expenses, the amount of expenses other than a judgment is reasonable; and
- d. indemnification should be paid.

13.2.2. **Effect of Proceeding Termination.** A person does not fail to meet the determination standard solely because of the termination of a proceeding by judgment, order, settlement, conviction, or a plea of nolo contendere or its equivalent.

13.2.3. **How Determinations Are Made.** If all of the directors are disinterested and independent, as defined in the Code, the determinations required under this Section will be made by a special legal counsel selected by the GRMA Board. Otherwise, the determinations will be made by the owners of a majority of lots in the Property, other than lots owned by persons who are not disinterested and independent as defined in the Code, or by a special legal counsel selected by those owners.

13.3. **EXCEPTIONS TO MANDATORY INDEMNIFICATION.** A person who is found liable to the Maintenance Association or is found liable because the person improperly received a personal benefit is not entitled to indemnification under this Article if, in a legal proceeding, the person has been found liable for (1) wilful or intentional misconduct in the performance of the person's duty to the Maintenance Association, (2) breach of the person's duty of loyalty owed to the Maintenance Association, or (3) an act or omission not committed in good faith that constitutes a breach of a duty owed by the person to the Maintenance Association. In all other instances, indemnification of a person who is found liable to the Maintenance Association is limited to reasonable expenses actually incurred by the person in connection with the proceeding, excluding a judgment, a penalty, a fine, or any other type of sanction. A person

indemnified by the Maintenance Association is considered to have been found liable in relation to a claim, issue, or matter only if the liability is established by an order, including a judgment or decree of a court, and all appeals of the order are exhausted or foreclosed by applicable law.

**13.4. EXPENSES.** The indemnification provided by this Article covers reasonable expenses and costs, such as legal fees, actually and necessarily incurred by the indemnified person in connection with a qualified claim.

**13.4.1. Advancement of Expenses.** The Maintenance Association may pay or reimburse reasonable expenses incurred by an indemnified person who was, is, or is threatened to be made a respondent in a proceeding in advance of the final disposition of the proceeding without making the determinations required under the Section above titled "Mandatory Indemnification," after the Maintenance Association receives a written affirmation by the person of the person's good faith belief that the person has met the standard of conduct necessary for indemnification under this Article, and a written undertaking by or on behalf of the person to repay the amount paid or reimbursed if the final determination is that the person has not met that standard or that indemnification is prohibited by this Article. The required written undertaking must be an unlimited general obligation of the person but need not be secured and may be accepted by the Maintenance Association without regard to the person's ability to make repayment.

**13.4.2. Witness Expenses.** The Maintenance Association may pay or reimburse reasonable expenses incurred by an Maintenance Association Leader, member, employee, agent, or other person in connection with that person's appearance as a witness or other participation in a proceeding at a time when the person is not a respondent in the proceeding.

**13.5. INDEMNIFICATION OF OTHER PERSONS.** Subject to the same limitations, determinations, and exceptions for Maintenance Association Leaders, the Maintenance Association may indemnify and advance expenses to a person who is not otherwise covered by this Article's indemnification as provided by (1) a provision in a Governing Document of the Maintenance Association, (2) a contract to which the Maintenance Association is a party, (3) common law, (4) a Board resolution, or (5) a resolution approved by the Maintenance Association's members. A person indemnified under this Section may seek indemnification or advancement of expenses from the Maintenance Association to the same extent that an Maintenance Association Leader may seek indemnification or advancement of expenses under this Article.

## **ARTICLE 14** **AMENDMENTS TO BYLAWS**

**14.1. AUTHORITY.** The Board of Directors of the Maintenance Association may amend and restate this instrument for any purpose, provided the amendment is approved by at least one director representing each member association.

**14.2. NOTICE AND COMMENT.** At least 30 days before the effective date of an amendment, the GRMA Board will give written notice of the amendment to the Gables Board and the Ranch Board. Each such Board has the right to comment orally or in writing to the GRMA Board on the proposed amendment. Prior notice is not required for an amendment adopted by the GRMA Board at a meeting of the Maintenance Association for which a quorum is present.

**14.3. DEVELOPMENT PROTECTION.** As long as The Gables is subject to expansion by phasing or contains a vacant house lot, no amendment of this instrument is effective without the written and acknowledged consent of FORESTAR (USA) Real Estate Group, Inc. (f/k/a Lumbermen's Investment Corporation). As long as The Ranch is subject to expansion by phasing or contains a vacant house lot,

no amendment of this instrument is effective without the written and acknowledged consent of D. R. Horton - Texas, Ltd.

14.4. **MERGER.** Merger or consolidation of the Maintenance Association with the Gables HOA, the Ranch HOA, or another association must be evidenced by an amendment of this instrument. Upon a merger or consolidation of the Maintenance Association with another association, the property, rights, and obligations of another association may, by operation of law, be added to the properties, rights, and obligations of the Maintenance Association as a surviving association pursuant to the merger. The surviving or consolidated association may administer the provisions of this instrument within the GRMA Property, together with the covenants and restrictions established upon any other property under its jurisdiction. No merger or consolidation, however, will effect a revocation, change, or addition to the provisions established by this instrument within the GRMA Property.

## **ARTICLE 15** **DISPUTE RESOLUTION**

15.1. **INTRODUCTION & DEFINITIONS.** The Maintenance Association, the Gables HOA, the Ranch HOA, all persons using the GRMA Property, and any other person who agrees to submit to this Article (collectively, the "**Parties**") agree to encourage the amicable resolution of disputes involving the GRMA Property and to avoid the emotional and financial costs of litigation if at all possible. Accordingly, each Party hereby covenants and agrees that this Article applies to all claims as hereafter defined. As used in this Article only, the following words, when capitalized, have the following specified meanings:

15.1.1. "**Claim**" means any claim, grievance, or dispute between Parties involving the GRMA Properties, except Exempt Claims as defined below, and including without limitation:

- a. Claims relating to the design, construction, or maintenance of the GRMA Property.
- b. Claims arising out of or relating to the interpretation, application, or enforcement of this instrument or the GRMA Certificate of Formation.
- c. Claims relating to the rights and/or duties of the Developers and the GRMA Property.

15.1.2. "**Claimant**" means any Party having a Claim against any other Party.

15.1.3. "**Exempt Claims**" means the following claims or actions, which are exempt from this Article:

- a. GRMA's claim for assessments levied on either member association, and any action by GRMA to collect assessments from the member associations.
- b. An action by a Party to obtain a temporary restraining order or equivalent emergency equitable relief, and such other ancillary relief as the court deems necessary to maintain the status quo and preserve the Party's ability to enforce the provisions of this instrument.
- c. Enforcement of the use restrictions adopted by the GRMA for the GRMA Property.
- d. A suit to which an applicable statute of limitations would expire within the notice period of this Article, unless a Party against whom the Claim is made agrees to toll the

statute of limitations as to the Claim for the period reasonably necessary to comply with this Article.

15.1.4. **"Respondent"** means the Party against whom the Claimant has a Claim.

15.2. **MANDATORY PROCEDURES.** Claimant may not file suit in any court or initiate any proceeding before any administrative tribunal seeking redress or resolution of its Claim until Claimant has complied with the procedures of this Article.

 **LET'S WORK IT OUT** 

15.3. **NOTICE.** Claimant must notify Respondent in writing of the Claim (the "Notice"), stating plainly and concisely: (1) the nature of the Claim, including date, time, location, persons involved, and Respondent's role in the Claim; (2) the basis of the Claim (i.e., the provision of this instrument or other authority out of which the Claim arises); (3) what Claimant wants Respondent to do or not do to resolve the Claim; and (4) that the Notice is given pursuant to this Section.

15.4. **NEGOTIATION.** Claimant and Respondent will make every reasonable effort to meet in person to resolve the Claim by good faith negotiation. Within 60 days after Respondent's receipt of the Notice, Respondent and Claimant will meet at a mutually-acceptable place and time to discuss the Claim. At such meeting or at some other mutually-agreeable time, Respondent and Respondent's representatives will have full access to the property that is subject to the Claim for the purposes of inspecting the property. If Respondent elects to take corrective action, Claimant will provide Respondent and Respondent's representatives and agents with full access to the property to take and complete corrective action.

15.5. **MEDIATION.** If the parties negotiate but do not resolve the Claim through negotiation within 120 days from the date of the Notice (or within such other period as may be agreed on by the parties), Claimant will have 30 additional days within which to submit the Claim to mediation under the auspices of a mediation center or individual mediator on which the parties mutually agree. The mediator must have at least 5 years of experience serving as a mediator and must have technical knowledge or expertise appropriate to the subject matter of the Claim. If Claimant does not submit the Claim to mediation within the 30-day period, Claimant is deemed to have waived the Claim, and Respondent is released and discharged from any and all liability to Claimant on account of the Claim.

15.6. **TERMINATION OF MEDIATION.** If the Parties do not settle the Claim within 30 days after submission to mediation, or within a time deemed reasonable by the mediator, the mediator will issue a notice of termination of the mediation proceedings indicating that the Parties are at an impasse and the date that mediation was terminated. Thereafter, Claimant may file suit or initiate administrative proceedings on the Claim, as appropriate.

15.7. **ALLOCATION OF COSTS.** Except as otherwise provided in this Section, each Party bears all of its own costs incurred prior to and during the proceedings described in the Notice, Negotiation, and Mediation sections above, including its attorneys fees. Respondent and Claimant will equally divide all expenses and fees charged by the mediator.

15.8. **ENFORCEMENT OF RESOLUTION.** Any settlement of the Claim through negotiation or mediation will be documented in writing and signed by the Parties. If any Party thereafter fails to abide by the terms of the agreement, then the other Party may file suit or initiate administrative proceedings to enforce the agreement without the need to again comply with the procedures set forth in this Article. In

that event, the Party taking action to enforce the agreement is entitled to recover from the non-complying Party all costs incurred in enforcing the agreement, including, without limitation, attorneys fees and court costs.

**15.9. GENERAL PROVISIONS.** A release or discharge of Respondent from liability to Claimant on account of the Claim does not release Respondent from liability to persons who are not party to Claimant's Claim. A Party having an Exempt Claim may submit it to the procedures of this Article.

**15.10. LITIGATION APPROVAL & SETTLEMENT.** To encourage the use of alternate dispute resolution and discourage the use of costly and uncertain litigation, the initiation of any judicial or administrative proceeding by the Association is subject to the following conditions in addition to and notwithstanding the above alternate dispute resolution procedures.

**15.10.1. Director Approval.** The Maintenance Association may not initiate any judicial or administrative proceeding without the prior unanimous approval of the directors of the Gables Board, the directors of the Ranch Board, and the GRMA Board, except that no such approval is required (1) to enforce provisions of this Declaration, including collection of assessments; (2) to challenge condemnation proceedings; (3) to enforce a contract against a contractor, vendor, or supplier of goods or services to the Maintenance Association; (4) to defend claims filed against GRMA or to assert counterclaims in a proceedings instituted against GRMA; or (5) to obtain a temporary restraining order or equivalent emergency equitable relief when circumstances do not provide sufficient time to obtain the prior consents of directors in order to preserve the status quo.

**15.10.2. Funding Litigation.** Except in the case of a temporary restraining order or equivalent emergency equitable relief when circumstances do not provide sufficient time to levy a special assessment, the Maintenance Association must levy a special assessment to fund the estimated costs of litigation prior to initiating a judicial or administrative proceeding. GRMA may not use its annual operating income, reserve funds, or savings to fund litigation, unless GRMA's annual budget or a savings account was established and funded from its inception as a litigation reserve fund.

**15.10.3. Settlement.** The GRMA Board, on behalf of the Maintenance Association and without the consent of the Boards of the member associations, is hereby authorized to negotiate settlement of litigation, and may execute any document related thereto, such as settlement agreements and waiver or release of claims.

## **ARTICLE 16** **GENERAL PROVISIONS**

**16.1. INSPECTION OF BOOKS AND RECORDS.** Books and records of the Maintenance Association will be made available for inspection and copying by either member, pursuant to applicable law, such as Section 22.351 of the Code. A member's inspection of the books and records may be assisted or performed by the member's director, officer, agent, accountant, or attorney (the "member's representative").

**16.1.1. Proper Purpose.** The GRMA Board may require the member's representative to submit a written demand for inspection, stating the purpose for which the member's representative will inspect the books and records. The GRMA Board has the following rights: (1) to determine whether the stated purpose for inspection is proper; (2) to deny the request if the GRMA Board determines that the stated purpose is not proper; (3) if granting the request, to identify which books and records are relevant to the stated purpose for inspection.

16.1.2. Copies. The member's representative, at the member's expense, may obtain photocopies of books and records for which the GRMA Board grants the right of inspection. The GRMA Board has the right to retain possession of the original books and records, to make copies requested by the member's representative, and to charge the member a reasonable fee for copying.

16.1.3. Records of Attorneys and Accountants. The files and records of an attorney or accountant who performs services for the Maintenance Association are not records of the Maintenance Association, are not subject to inspection by members, and are not subject to production in a legal proceeding.

16.2. CONFLICTING PROVISIONS. If any provision of this instrument conflicts with any provision of the applicable laws of the State of Texas, the conflicting Bylaws provision is null and void, but all other provisions of this instrument remains in full force and effect. If a provision of the Maintenance Association's certificate of formation conflicts with this instrument, the certificate of formation controls.

16.3. SEVERABILITY. Whenever possible, each provision of this instrument will be interpreted in a manner as to be effective and valid. Invalidation of any provision of this instrument, by judgment or court order, does not affect any other provision which remains in full force and effect.

16.4. APPLICABLE LAW. The Maintenance Association is a legal entity governed by the Code. If the Maintenance Association is not incorporated, it is an unincorporated nonprofit association subject to Chapter 252 of Title 6 of the Code, the Texas Uniform Unincorporated Nonprofit Association Act. If the Maintenance Association is incorporated, it is a domestic nonprofit corporation subject to Chapter 22 of Title 2 of the Code, the Texas Nonprofit Corporation Law. If not incorporated, the Maintenance Association, at its discretion, may use the Texas Nonprofit Corporation Law for guidance in governing the Maintenance Association. Sections of the Code that are cited in this instrument are incorporated herein by reference, whether or not the Maintenance Association is incorporated.

16.5. CONSTRUCTION. The effect of a general statement is not limited by the enumerations of specific matters similar to the general. The captions of articles and sections are inserted only for convenience and are in no way to be construed as defining or modifying the text to which they refer. The singular is construed to mean the plural, when applicable, and the use of masculine or neuter pronouns includes the feminine.

16.6. FISCAL YEAR. The fiscal year of the Maintenance Association will be set by resolution of the GRMA Board, and is subject to change from time to time as the GRMA Board determines. In the absence of a resolution by the GRMA Board, the fiscal year is the calendar year.

16.7. PREPARER. This instrument was prepared in the law offices of Sharon Reuler of SETTLEPOU, 3333 Lee Parkway, Eighth Floor, Dallas, Texas 75219.

#### **CERTIFICATION & ACKNOWLEDGMENT**

The undersigned Developers and Associations hereby certify that the foregoing Covenants & Bylaws of Gables Ranch Maintenance Association were adopted for the benefit of the Maintenance Association by the Developers of The Gables and The Ranch, and by the unanimous written consents of the initial directors of Gables Ranch Maintenance Association.

SIGNED to be effective May 1, 2006.

**DEVELOPER OF THE GABLES**

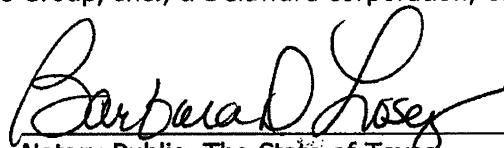
**FORESTAR (USA) REAL ESTATE GROUP, INC.**, a  
Delaware corporation

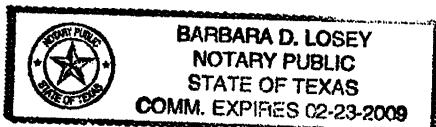
By:   
Thomas H. Burleson, Vice President  
Senion

THE STATE OF TEXAS §  
§  
COUNTY OF DALLAS §

This instrument was acknowledged before me on the 21st day of June 2006 by Thomas H. Burleson, Vice President of FORESTAR (USA) Real Estate Group, Inc., a Delaware corporation, on behalf of said corporation.

Senion

  
Notary Public, The State of Texas

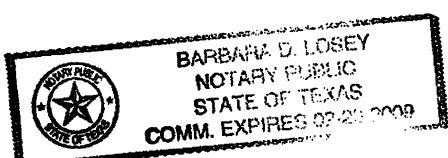


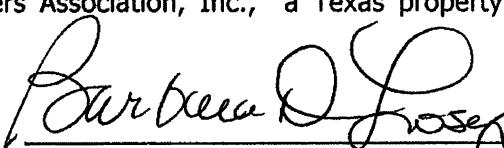
**GABLES AT NORTHHILL HOMEOWNERS  
ASSOCIATION, INC.**, a Texas property owners  
association

By:   
Thomas H. Burleson, Secretary

THE STATE OF TEXAS §  
§  
COUNTY OF DALLAS §

This instrument was acknowledged before me on the 21st day of June 2006 by Thomas H. Burleson, Secretary of Gables at Northhill Homeowners Association, Inc., a Texas property owners association, on behalf of said association.



  
Notary Public, The State of Texas

## **DEVELOPER OF THE RANCH**

**D. R. HORTON - TEXAS, LTD., a Texas limited partnership**

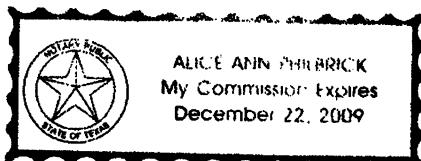
By: D. R. HORTON, INC., a Delaware corporation, its authorized agent

By: 

**David L. Booth, Assistant Vice President**

THE STATE OF TEXAS  
COUNTY OF DALLAS

This instrument was acknowledged before me on this 9th day of June 2006 by David L. Booth, Assistant Vice President of D. R. Horton, Inc., a Delaware corporation, on behalf of said corporation in its capacity as authorized agent for D. R. Horton - Texas, Ltd., a Texas limited partnership, on behalf of the limited partnership.

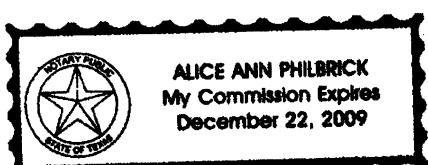


Alicia Ann Philbrick  
Notary Public, The State of Texas

## **THE RANCH OWNERS ASSOCIATION**, a Texas property owners association

THE STATE OF TEXAS §  
COUNTY OF DALLAS §

This instrument was acknowledged before me on the 9 day of June 2006 by H. Jessica Mayraz, Secretary of The Ranch Owners Association, a Texas property owners association, on behalf of said association.



Alicia Ann Philbrick  
Notary Public, The State of Texas

AFTER RECORDING, PLEASE RETURN TO:

Ms. Sharon Reuler  
SETTLEPOU  
3333 Lee Parkway, Eighth Floor  
Dallas, Texas 75219

Filed and Recorded  
Official Public Records  
Brenda Taylor, County Clerk  
Collin County, TEXAS  
06/27/2006 12:43:15 PM  
\$128.00 DLAIRD  
20060627000883650



*Brenda Taylor*

**GABLES RANCH MAINTENANCE ASSOCIATION**  
**ADDENDUM TO CERTIFICATE OF FORMATION AS NONPROFIT CORPORATION**

**SUPPLEMENTAL PROVISIONS/INFORMATION**

**Section 1. Type.** The Maintenance Association is (1) a residential real estate management association within the meaning of Section 528 of the Internal Revenue Code, Title 26, Subtitle A, Chapter 1, Subchapter F, Part VII, (2) a homeowners association within the meaning of Section 171.082 of the Texas Tax Code, and (3) a Texas property owners association.

**Section 2. Residential Developments.** The Maintenance Association is organized to own certain real property and to provide certain services for the exclusive benefit of the homeowners in the following two adjoining residential developments:

- **The Ranch**, a phased residential development in the City of Murphy, Texas, subject to Declaration of Covenants, Conditions & Restrictions for The Ranch, recorded April 2, 2002, as Document No. 2002-0047649, in Volume 05138, Page 05417, Real Property Records, Collin County, Texas, as it may be amended, supplemented, and restated from time to time.
- **Gables at Northhill** (hereafter "**The Gables**"), a phased residential development in the City of Murphy, Texas, subject to the Declaration of Covenants, Conditions and Restrictions for Gables at Northhill, recorded on November 19, 2004, as Document No. 2004-0167975, in Volume 6800, Page 02644, Real Property Records, Collin County, Texas, as it may be amended, supplemented, and restated from time to time.

**Section 3. Membership.** Membership in the Maintenance Association shall at all times be comprised of only the following two members, each being a nonprofit mandatory association of homeowners, each acting by and through its board of directors: (1) The Ranch Owners Association, the association of homeowners in The Ranch, and (2) Gables at Northhill Homeowners Association, Inc., the association of homeowners in The Gables.

**Section 4. Purpose.** The primary purpose of the Maintenance Association is to own, operate, improve, manage, insure, maintain, and care for certain real property that constitute the shared common areas of The Ranch and The Gables. Additional purposes of the Maintenance Association are: (1) to contract with a member association for maintenance of the member's exclusive common area, (2) to exercise the rights and powers and to perform the duties and obligations of a Texas property owners association, and (3) for any lawful purpose not expressly prohibited under Chapters 2 or 22 of the Texas Business Organizations Code (the "Code"), including any purpose described by Section 2.002 of the Code.

**Section 5. Stock/Voting.** The Maintenance Association is a nonstock membership organization with only two members, neither of whom has voting rights.

**Section 6. Beneficiaries.** The beneficiaries of the Maintenance Association are the owners of residential lots in The Ranch and in The Gables. After the Declarant Control Period, the homeowners in The Ranch elect a board of directors to govern The Ranch. That board, in turn, elects or appoints members to the board of directors of the Maintenance Association. Similarly, when the developer's control ends, the homeowners in The Gables elect a board of directors to govern The Gables. That board, in turn, elects or appoints members to the board of directors of the Maintenance Association.

**Section 7. Manner of Distribution.** The Maintenance Association is authorized on its winding up to distribute its assets in a manner other than as provided by Section 22.304 of the Code. The manner

of distribution is as follows. In the event of winding up, the assets of the Maintenance Association will belong to the two members of the Maintenance Association as tenants in common and will be distributed, liquidated, or conveyed in accordance with the terms of a termination agreement approved by both members.

**Section 8. Duration.** The duration of the Maintenance Association is perpetual.

**Section 9. Limitations on Liability.** A director of the Maintenance Association is not liable to the Maintenance Association or its members for monetary damages for acts or omissions that occur in the person's capacity as a director, except to the extent a person is found liable for (1) a breach of the director's duty of loyalty to the Maintenance Association or its members; (2) an act or omission not in good faith that constitutes a breach of duty of the director to the Maintenance Association; (3) an act or omission that involves intentional misconduct or a knowing violation of the law; (4) a transaction from which the director receives an improper benefit, whether or not the benefit resulted from an action taken within the scope of the person's office; or (5) an act or omission for which the liability of a director is expressly provided by an applicable statute. If the director is a homeowner in The Ranch or The Gables, this limitation on liability does not eliminate or modify that person's pro rata share of the member association's liability.

**Section 10. Indemnification.** As provided by the Bylaws, the Maintenance Association will 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, committee chair, or committee member of the Maintenance Association. Additionally, the Maintenance Association may indemnify a person who is or was an employee, trustee, agent, or attorney of the Maintenance Association, against any liability asserted against him and incurred by him in that capacity and arising out of that capacity.

**Section 11. Immunity for Volunteers.** To preserve the protections for Maintenance Association volunteers afforded by the Charitable Immunity and Liability Act of 1987 (Chapter 84, Texas Civil Practice & Remedies Code), the Maintenance Association will operate in a manner that preserves the Maintenance Association's status as a residential real estate management association as defined by Section 528(c) of the Internal Revenue Code of 1986, as amended.

**Section 12. Amendment.** The board of directors of the Maintenance Association has the exclusive and unilateral right to amend, restate, or repeal these Articles and the Bylaws of the Maintenance Association.

**Section 13. Change of Status.** The continuing existence of the Maintenance Association is vested in its two members - the associations of homeowners of The Ranch and The Gables - not in its entity status, its name, or its filing number. The board of directors of the Maintenance Association may convert the Maintenance Association from a nonprofit corporation to a different type of legal entity under the Texas Business Organizations Code, if the conversion is deemed by the board to be in the best interests of its two members. During any period in which the Maintenance Association is not actively registered with the Secretary of State of Texas, it will be subject to the Texas Uniform Unincorporated Nonprofit Association Act (Chapter 252 of the Code), and this certificate of formation will continue to be effective as a governing document of the Maintenance Association.

# ARTICLES OF INCORPORATION

## OF

### GABLES RANCH MAINTENANCE ASSOCIATION

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TO BE FILED WITH THE SECRETARY OF STATE OF TEXAS AS  
A CERTIFICATE OF FORMATION FOR A DOMESTIC NONPROFIT CORPORATION

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**ARTICLE 1. NAME & TYPE.** The name of this domestic nonprofit entity is Gables Ranch Maintenance Association (hereafter, the "**Maintenance Association**"). The Maintenance Association is (1) a residential real estate management association within the meaning of Section 528 of the Internal Revenue Code, Title 26, Subtitle A, Chapter 1, Subchapter F, Part VII, (2) a homeowners association within the meaning of Section 171.082 of the Texas Tax Code, and (3) a Texas property owners association.

**ARTICLE 2. REGISTERED AGENT & ADDRESS.** The name of the Maintenance Association's initial registered agent is CT Corporation System. The address of the Maintenance Association's initial registered agent is 350 N. St. Paul, Suite 2900, Dallas, Texas 75201.

**ARTICLE 3. REAL PROPERTY.** The Maintenance Association is organized to own certain real property and to provide certain services for the exclusive benefit of the homeowners in the following two adjoining residential developments:

- **The Ranch**, a phased residential development in the City of Murphy, Texas, subject to Declaration of Covenants, Conditions & Restrictions for The Ranch, recorded April 2, 2002, as Document No. 2002-0047649, in Volume 05138, Page 05417, Real Property Records, Collin County, Texas, as it may be amended, supplemented, and restated from time to time.
- **Gables at Northhill** (hereafter "**The Gables**"), a phased residential development in the City of Murphy, Texas, subject to the Declaration of Covenants, Conditions and Restrictions for Gables at Northhill, recorded on November 19, 2004, as Document No. 2004-0167975, in Volume 6800, Page 02644, Real Property Records, Collin County, Texas, as it may be amended, supplemented, and restated from time to time.

**ARTICLE 4. MANAGEMENT BY BOARD.** The management and affairs of the Maintenance Association are vested in the board of directors. The number of directors constituting the initial board of directors and the names and addresses of the persons who are to serve as directors until their successors are elected and qualified are as follows:

<u>Name</u>	<u>Address</u>
Thomas H. Burleson	14755 Preston Road, Suite 710, Dallas, Texas 75254
Gary W. McAtee	14755 Preston Road, Suite 710, Dallas, Texas 75254
David L. Booth	4306 Miller Road, Suite A, Rowlett, Texas 75088
Derek Ammerman	4306 Miller Road, Suite A, Rowlett, Texas 75088
H. Jessica Mayraz	4306 Miller Road, Suite A, Rowlett, Texas 75088

**ARTICLE 5. MEMBERSHIP.** Membership in the Maintenance Association shall at all times be comprised of only the following two members, each being a nonprofit mandatory association of

homeowners, each acting by and through its Board of Directors: (1) The Ranch Owners Association, the association of homeowners in The Ranch, and (2) Gables at Northhill Homeowners Association, Inc., the association of homeowners in The Gables.

**ARTICLE 6. PURPOSE.** The primary purpose of the Maintenance Association is to own, operate, improve, manage, insure, maintain, and care for certain real property that constitute the shared common areas of The Ranch and The Gables. Additional purposes of the Maintenance Association are: (1) to contract with a member association for maintenance of the member's exclusive common area, (2) to exercise the rights and powers and to perform the duties and obligations of a Texas property owners association, and (3) for any lawful purpose not expressly prohibited under Chapters 2 or 22 of the Texas Business Organizations Code (the "Code"), including any purpose described by Section 2.002 of the Code.

**ARTICLE 7. MANNER OF DISTRIBUTION.** The Association is authorized on its winding up to distribute its assets in a manner other than as provided by Section 22.304 of the Code. The manner of distribution is as follows. In the event of winding up, the assets of the Maintenance Association will belong to the members of the Maintenance Association at the time of winding up and will be distributed, liquidated, or conveyed in accordance with the terms of a termination agreement approved by both members at the time of winding up.

**ARTICLE 8. STOCK/VOTING.** The Maintenance Association is a nonstock membership organization with only two members, neither of whom has voting rights.

**ARTICLE 9. BENEFICIARIES.** The beneficiaries of the Maintenance Association are the owners of residential lots in The Ranch and in The Gables. After the Declarant Control Period, the homeowners in The Ranch elect a Board of Directors to govern The Ranch. The Board of Directors of The Ranch, in turn, elects or appoints members to the Board of Directors of the Maintenance Association. Similarly, when the Declarant's control ends, the homeowners in The Gables elect a Board of Directors to govern The Gables. The Board of Directors of The Gables, in turn, elects or appoints members to the Board of Directors of the Maintenance Association.

**ARTICLE 10. DURATION.** The duration of the Maintenance Association is perpetual.

**ARTICLE 11. POWERS.** In furtherance of its purposes, the Maintenance Association has the following powers which, unless indicated otherwise by the Bylaws or State law, may be exercised by the board of directors: (1) all rights and powers conferred on nonprofit entities by State law in effect from time to time, and (2) all powers necessary, appropriate, or advisable to perform any purpose or duty of the Maintenance Association as set out in the Bylaws or State law.

**ARTICLE 12. LIMITATIONS ON LIABILITY.** A director of the Maintenance Association is not liable to the Maintenance Association or its members for monetary damages for acts or omissions that occur in the person's capacity as a director, except to the extent a person is found liable for (1) a breach of the director's duty of loyalty to the Maintenance Association or its members; (2) an act or omission not in good faith that constitutes a breach of duty of the director to the Maintenance Association; (3) an act or omission that involves intentional misconduct or a knowing violation of the law; (4) a transaction from which the director receives an improper benefit, whether or not the benefit resulted from an action taken within the scope of the person's office; or (5) an act or omission for which the liability of a director is expressly provided by an applicable statute. If the director is a homeowner in The Ranch or The Gables, this limitation on liability does not eliminate or modify that person's pro rata share of the member association's liability.

**ARTICLE 13. INDEMNIFICATION.** As provided by the Bylaws, the Maintenance Association will 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, committee chair, or committee member of the Maintenance Association. Additionally, the Maintenance Association may indemnify a person who is or was an employee, trustee, agent, or attorney of the Maintenance Association, against any liability asserted against him and incurred by him in that capacity and arising out of that capacity.

**ARTICLE 14. IMMUNITY FOR VOLUNTEERS.** To preserve the protections for Maintenance Association volunteers afforded by the Charitable Immunity and Liability Act of 1987 (Chapter 84, Texas Civil Practice & Remedies Code), the Maintenance Association will operate in a manner that preserves the Maintenance Association's status as a residential real estate management association as defined by Section 528(c) of the Internal Revenue Code of 1986, as amended.

**ARTICLE 15. AMENDMENT.** The Board of Directors of the Maintenance Association has the exclusive and unilateral right to amend, restate, or repeal these Articles and the Bylaws of the Maintenance Association.

**ARTICLE 16. CHANGE OF STATUS.** The continuing existence of the Maintenance Association is vested in its two members - the associations of homeowners of The Ranch and The Gables - not in its entity status, its name, or its filing number. The Board of Directors of the Maintenance Association may convert the Maintenance Association from a nonprofit corporation to a different type of legal entity under the Texas Business Organizations Code, if the conversion is deemed by the Board of Directors of the Maintenance Association to be in the best interests of its two member association. During any period in which the Maintenance Association is not actively registered with the Secretary of State of Texas, it will be subject to the Texas Uniform Unincorporated Nonprofit Association Act (Chapter 252 of the Code), and this certificate of formation will continue to be effective as a governing document of the Maintenance Association.

**ARTICLE 17. ORGANIZER.** The name of the organizer is Sharon Reuler. The organizer's address is c/o SettlePou, 3333 Lee Parkway, Eighth Floor, Dallas, Texas 75219.

**ARTICLE 18. EFFECTIVENESS OF FILING.** This document becomes effective as a certificate of filing for a nonprofit corporation when the document is filed by the Secretary of State.

*(Executed on Next Page.)*

**EXECUTION**

The undersigned signs this document subject to the penalties imposed by law for the submission of a materially false or fraudulent instrument.

SIGNED this \_\_\_\_\_ day of April 2006.

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Sharon Reuler

THE STATE OF TEXAS §

§

COUNTY OF DALLAS §

§

This instrument was acknowledged before me on this \_\_\_\_\_ day of April 2006 by Sharon Reuler.

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Notary Public, The State of Texas