

**ARTICLE I
OFFICE, AGENT, PURPOSE, POWERS**

SECTION 1. REGISTERED OFFICE AND REGISTERED AGENT

The Fair Oaks Ranch Municipal Development District ("District") shall have and continuously maintain in the City of Fair Oaks Ranch ("City") a registered office, which registered office shall be the depository for all records of the district, and a registered agent whose office is identical with such registered office. The Registered Agent for the District shall be the President of the District. The registered office of the District shall be 7286 Dietz Elkhorn, Fair Oaks Ranch, TX 78015 whose mailing address is the same.

SECTION 2. PURPOSE

The District is a political subdivision of the State of Texas and the City for the purposes set forth in the Rules of Procedure, the same to be accomplished on behalf of the City as its duly constituted authority and instrumentality in accordance with Chapter 377 of the Texas Local Government Code ("Act"), other Applicable laws. The District was established for the purpose of developing and financing all permissible projects prescribed by the Act.

SECTION 3. POWERS

In the fulfillment of its purpose, the District shall be governed by the Act, and shall have all of the powers set forth and conferred in the Act, and in other applicable laws, subject to the limitations prescribed therein and herein and to the provisions thereof and hereof.

**ARTICLE II
BOARD OF DIRECTORS**

SECTION 1. NUMBER AND TERM OF OFFICE

- A. The property and affairs of the District shall be managed and controlled by the Board and subject to the restrictions imposed by law and these Rules of Procedure. The Board shall exercise all of the powers of the District.
- B. The Board shall consist of seven (7) ~~Directors~~, each of whom shall be appointed by the City Council of the City. Each of the Directors shall be a resident of the City of Fair Oaks Ranch ~~or a resident of the City of Fair Oaks Ranch's Extraterritorial Jurisdiction~~ Municipal Development District.
- C. ~~Each member~~ Director of the Board shall be appointed and serve two (2) years or until a successor is appointed as hereinafter provided.
 - a. Two (2) members ~~Directors~~ shall be ~~persons who are~~ appointed from the members of the Fair Oaks Ranch City Council. If a Director appointed to a City Council designated Place leaves the City Council during their term and is still eligible to serve on the MDD Board, the Director will continue to serve in their position until the end of their MDD term, unless they resign or are removed by City Council.

b. Five (5) Directors shall be appointed from at-large residents of the District. If an At-Large Director becomes a member of the City Council during their term and is still eligible to serve on the MDD Board, the Director will continue to serve in their position until the end of their MDD term, unless they resign or are removed by City Council. and one (1) member shall be a person who is a member of the Fair Oaks Ranch Homeowner's Association.

c. At no time shall there be a quorum of City Council on the Board.

D. Any Director may be removed from office ~~by the~~ by the City Council, ~~at~~ will.

SECTION 2. VACANCIES AND RESIGNATIONS

A vacancy in any position of Director which occurs by reason of death, resignation, disqualification, removal or otherwise shall be filled by the City Council. A Director may resign at any time. Such resignation shall be made in writing, addressed to the Mayor and the City Secretary, with a copy to the Board, and shall take effect at the time specified therein, or if no time is specified, at the time of its receipt by the City Secretary. If a vacancy occurs within a term, the appointment will be for the unexpired term of the vacated position.

SECTION 3. MEETINGS

The Board will meet in a public place, and on a day and time as set forth by the President at a minimum of no less than each ~~six three (63)~~ calendar months of each fiscal year. The President, or upon the President's incapacity, the Vice-President, may call special meetings of the Board of Directors at such time as may be required.

SECTION 4. QUORUM

A quorum shall consist of a majority of the non-vacant Board positions, which shall be present for the conduct of the official business of the District. The act of a majority of the Directors at a meeting at which a quorum is in attendance shall constitute an action of the Board and of the District.

SECTION 5. COMPENSATION OF DIRECTORS

The Directors, including Officers shall not receive any salary or compensation for their services, however, Directors may, with prior approval of the Board, be reimbursed for their actual expenses incurred in the performance of their duties hereunder, including but not limited to the cost of travel, lodging and incidental expenses reasonably related to the duties of the Board. Travel expenses incurred by Directors for both regular and special meetings are not eligible for reimbursement.

ARTICLE III OFFICERS

SECTION 1. TITLES AND TERM OF OFFICE

The Board of Directors shall choose from its members a President, Vice-President, Secretary and a Treasurer. The President, Vice-President, Secretary and Treasurer shall be elected by the Board of Directors by a majority vote of a quorum of the members at the first meeting held after the annual appointment of Board members by the Fair Oaks Ranch City Council.

SECTION 2. POWERS AND DUTIES OF THE PRESIDENT

The President shall be the Chief Executive Officer of the District, and shall, subject to the authority of the Board, preside at all meetings of the Board, and absent any different designation by the majority of the Board, shall sign and execute all contracts, conveyances, franchises, bonds in the name of the District. In addition, the President shall:

- A. Call both regular and special meetings of the Board and establish the agenda for such;
- B. Have the right to vote on all matters coming before the Board;
- C. Have the authority to appoint standing or study committees to aid and assist the Board in its business undertaking or other matters incidental to the operation and functions of the Board.
- D. Perform all duties incident to the office, and such other duties as shall be prescribed from time to time by the Board.
- E. Appear before the City Council, or be represented by a designee, periodically to give a report on the status of the activities of the District; and
- F. Appear before the City Council, or be represented by a designee, regarding any item being considered by the City Council concerning the District.

SECTION 3. VICE-PRESIDENT

The Vice-President shall exercise the powers of the President during that officer's absence, inability to act or expired term before the election of a new President. The Vice-President shall perform other duties as from time to time may be assigned by the President or the Board.

SECTION 4. SECRETARY

The Secretary shall ensure that: the minutes of the Board and its committees are recorded and retained as records of the District, all notices posted and served as required by law, the books, records and all documents and instruments are open to public inspection upon application at the office of the District during business hours. The Secretary shall attest the signature of the President or any other officer of the District.

SECTION 5. TREASURER

The Treasurer shall have the responsibility to ensure the proper handling, custody and security of all funds and securities of the District. The Treasurer may be required, at the expense of the District to give such bond for the faithful discharge of the duties in such form and amount as the Board may require by resolution. The Treasurer shall provide for financial reports of the District's activities in accordance with all statutory and MDD policy requirements. The Treasurer shall ensure compliance with the requirements under Article IV. Section 1: Annual Budget, and Section 2. Financial Books, Records, Audits.

SECTION 6. CONFLICT OF INTEREST

The members of the Board of Directors shall be considered local public officials within the meaning of Chapter 171 of the Texas Local Government Code. If a Director has a substantial interest, as that term is defined in said Chapter, in a business entity or real property which is the subject of

deliberation by the Board of Directors, the Director shall file an affidavit with the Secretary of the District stating the nature or extent of the interest. Such affidavit shall be filed prior to any vote or decision upon the matter of the Board of Directors, and if required by said Chapter, the interested Director shall abstain from any vote or decision upon the matter.

SECTION 7. IMPLIED DUTIES

The District is authorized to take such actions as it may deem reasonable or necessary to accomplish any of the purposes or duties set out in these Rules of Procedure in accordance with the Act and any other applicable law.

**ARTICLE IV
FUNCTIONAL DUTIES AND RESPONSIBILITIES
GENERAL ECONOMIC DEVELOPMENT PLAN**

The District may research, develop and prepare any Economic Development Plan for the City, which shall include proposed methods and the expected costs of implementation. The Plan shall include both short- term and long-term goals for the economic development of the City, proposed methods for the elimination of unemployment and under-employment, and the promotion of employment, through the expansion and development of a sound, retail and commercial base for and within the City. The District shall review and update the Plan each year prior to submission of the annual budget required by other provisions of these Rules of Procedure.

SECTION 1. ANNUAL BUDGET

On or before July 15th of each year the Treasurer shall prepare and present a proposed budget of expected revenues and proposed expenditure for the next ensuing fiscal year to the Board. The fiscal year of the District shall commence on October 1st of each year and end on September 30th. The Budget shall be approved by the Fair Oaks Ranch City Council no later than the Council's last regular September Council Meeting.

SECTION 2. FINANCIAL BOOKS, RECORDS, AUDITS

The Treasurer shall keep and properly maintain, in accordance with generally accepted accounting principles, complete financial books, records, accounts and financial statements pertaining to its funds, activities and affairs.

The District's financial books, records, accounts, and financial statements shall be audited at least once each fiscal year by an outside, independent auditing and accounting firm selected by the District. Such audit shall be at the expense of the District.

A copy of the final audit shall be filed with the City Secretary of the City of Fair Oaks Ranch.

**ARTICLE V
MISCELLANEOUS PROVISIONS**

SECTION 1. INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

As provided in the Act, the District is for the purpose of the Texas Tort Claims Act (Subchapter A, Chapter 101, Texas Civil Practices and Remedies Code), a governmental unit, and its actions are governmental functions. The District shall indemnify each and every member of the Board, its officers and its employees to the fullest extent permitted by law against any and all liability or expense, including attorney fees, incurred by any of such person by reason of any actions or omissions that may arise out of the functions and activities of the District. The indemnity shall apply even if one or more of those to be indemnified was negligent or caused or contributed to cause any loss, claim, action, or suit.

Specifically, it is the intent of these Rules of Procedure and the District to require the District to indemnify those named for indemnification, even for the consequences of the negligence of those indemnified which caused or contributed to cause any liability.

The District shall purchase and maintain insurance on behalf of any Director, Officer, employee or agent of the District, or on behalf of any person serving at the request of the District as a Board member, officer, employee or agent of another District, partnership, joint venture, trust or other enterprise, against any liability asserted against that person and incurred by that person in any such capacity or arising out of any such status with regard to the District, whether or not the District has the power to indemnify that person against liability for any of those acts.

SECTION 2. GIFTS

The Board may accept on behalf of the District any contribution, gift, bequest or device for the general purposes of the District.

SECTION 3. AMENDMENTS TO RULES OF PROCEDURE

The Board's Rules of Procedure may be amended or repealed, and new Rules of Procedure may be adopted by any affirmative vote of Five (5) of the authorized Directors serving on the Board.

SECTION 4. EFFECTIVE DATE

These Rules of Procedure and any subsequent amendments hereto, shall be effective as of and from the date on which approval has been given by the Board of Directors of the Fair Oaks Ranch Municipal Development District.

I certify that I am the duly elected President of the Fair Oaks Ranch Municipal Development District, and these Rules of Procedure were duly adopted at the meeting of the Board of Directors held on ~~October 13~~ January 8, 2021 and do constitute the Rules of Procedure of the District.

Signed this _____ day of _____, 2025.

ATTEST:

Laura Koerner
President of the District

Keith Rhoden
Secretary of the District