

ARTICLES OF INCORPORATION

FILED
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Secretary of State of Texas

JAN 06 2000

OF

BLACKHORSE RANCH HOMEOWNERS ASSOCIATION, INC. Section

The undersigned, a natural person of the age of eighteen (18) years or more and a citizen of the State of Texas, acting as incorporator of a corporation under the Texas Non-Profit Corporation Act, does hereby adopt the following Articles of Incorporation for such corporation:

ARTICLE ONE

The name of the Corporation is BlackHorse Ranch Homeowners Association, Inc. (hereinafter referred to as the "Association").

ARTICLE TWO

The Association is a non-profit corporation organized pursuant to the provisions of the Texas Non-Profit Corporation Act. No part of the income of the Association shall inure to the benefit of any of its members or any other individual. The Association shall not carry on any activity for the profit of its members, or distribute any gains, profits, or dividends to any of its members or engage, except to an insubstantial degree, in any activities which are not in furtherance of the primary purpose of the Association.

ARTICLE THREE

The period of duration of the Association is perpetual.

ARTICLE FOUR

The street address of the initial registered office of the Association is 109 N. Post Oak Lane, Suite 300, Houston, Texas 77024, and the name of its initial registered agent at such address is Gary Rachlin.

ARTICLE FIVE

The primary purposes for which the Association is formed are (1) to be and constitute the corporation to which reference is or will be made in that certain Declaration of Covenants, Conditions and Restrictions for BlackHorse Ranch Subdivision (herein called the "Declaration") recorded or to be recorded in the Office of the County Clerk of Harris County, Texas, as the same may be amended or supplemented from time to time in accordance with the provisions thereof, (2) to exercise all rights and powers specified in the Declaration, and the Association's by-laws (the "By-Laws"), and as provided by law, and (3) to further the interests of the owners of the property subject to the Declaration and such other property as may hereafter be annexed to the jurisdiction of the Association. It is anticipated that the Declaration will be executed after the date hereof.

In furtherance of its purposes, the Association shall have the following powers, which, unless indicated otherwise by the Declaration or the By-Laws, may be exercised by the Association's Board of Directors:

A. all of the powers conferred upon non-profit corporations by common law and the statutes of the State of Texas in effect from time to time;

B. all of the powers necessary or desirable to perform the obligations and duties and to exercise the rights and powers set out in these Articles, the Declaration, or the By-Laws, including, without limitation, the following:

(i) preparing and adopting annual budgets of the Association's expenses;

(ii) making assessments to defray the Association's expenses as set forth in the Declaration and collecting such assessments;

(iii) providing for the operation, care, upkeep, and maintenance of all of the property and facilities owned by the Association and the property and facilities within or in the vicinity of the property within the jurisdiction of the Association not owned by the Association as set forth in the Declaration;

(iv) designating, hiring, and dismissing the personnel and contractors necessary for the operation of the Association and the maintenance, operation, repair, and replacement of its property and, where appropriate, providing for the compensation of such personnel and contractors and for the purchase of equipment, supplies, and materials to be used by such personnel and contractors in the performance of their duties;

(v) collecting the assessments, depositing the proceeds thereof in a bank depository which it shall approve, using the proceeds to operate the Association and enforcing liens that secure payment of the assessments;

(vi) making and amending rules and regulations;

(vii) opening bank accounts on behalf of the Association and designating the signatories required;

(viii) making or contracting for the making of repairs, additions, and improvements to or alterations of the Association's property in accordance with the provisions of the Declaration after damage or destruction by fire, other casualty or normal use;

(ix) enforcing the covenants, conditions, and restrictions created by the Declaration, and the rules and regulations adopted by the Association, and bringing or participating in any proceedings which may be instituted on behalf of or against the owners of property subject to the Declaration;

(x) obtaining and carrying insurance against casualties and liabilities as provided in the Declaration, including directors and officers liability insurance, and paying the premium cost thereof;

(xi) paying the cost of all services rendered to the Association or its members and not chargeable directly to specific owners;

(xii) keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred;

(xiii) making available (for a reasonable charge) to any prospective purchaser of a portion of the property subject to the Declaration or any mortgagee, and the holders, insurers, and guarantors of any mortgage, current copies of the Declaration, these Articles, the By-Laws, the rules governing such property and all other books, records, and financial statements of the Association;

(xiv) permitting utility suppliers and suppliers of other services to use portions of the Association's property;

(xv) engaging in activities which will foster, promote, and advance the common interests of the owners of property subject to the Declaration;

(xvi) buying or otherwise acquiring, selling, or otherwise disposing of, mortgaging, or otherwise encumbering, exchanging, leasing, holding, using, operating, and otherwise dealing in and with real and personal property of all kinds and any right or interest therein for any purpose of the Association, which shall include the power to foreclose its lien on any property subject to the Declaration, by judicial or nonjudicial means;

(xvii) borrowing money for any purpose subject to such limitations as may be contained in the Declaration or the By-Laws;

(xviii) entering into, making, performing, and enforcing contracts of every kind and description, and doing all other acts necessary, appropriate, or advisable in carrying out any purpose of the Association, with or in association with any other association, corporation, or other entity or agency, public or private;

(xix) acting as agent, trustee, or other representative of other corporations, firms, or individuals, and as such to advance the business or ownership interests in such corporations, firms, or individuals;

(xx) adopting, altering, and amending or repealing such By-Laws as may be necessary or desirable for the proper management of the affairs of the Association; provided, however, such By-Laws may not be inconsistent with or contrary to any provisions of the Declaration; and

(xxi) providing or contracting for services benefitting the property subject to the Declaration, including, without limitation, garbage removal and any and all supplemental municipal services as may be necessary or desirable.

The foregoing enumeration of powers shall not limit or restrict in any manner the exercise of other and further rights and powers which may now or hereafter be allowed or permitted by law; and the powers specified in each of the paragraphs of this Article are independent powers, not to be restricted by reference to or inference from the terms of any other paragraph or provisions of this Article. PROVIDED, HOWEVER, any of the foregoing provisions of this Article V to the contrary notwithstanding, the Association is organized and shall be operated exclusively for civic and community service and other nonprofit purposes, and no part of any net earnings or other assets of this Association shall inure to the benefit of any Member of the Association or any owner in the BlackHorse Ranch Subdivision.

ARTICLE SIX

The Association shall be a membership corporation without certificates or shares of stock. Each and every person or entity who owns a Lot (as defined in the Declaration) within the property subject to the jurisdiction of the Association, including contract sellers, but excluding any person or entity who holds an interest merely as security for the performance of an obligation or those owning only an easement estate, a mineral interest, or a royalty interest, shall be a member of the Association (each of such persons or entities being hereinafter referred to as an "Owner"). Membership in the Association shall be appurtenant to and may not be separated from ownership of a Lot.

ARTICLE SEVEN

The Association shall have two classes of members ("Members"):

(a) **CLASS A.** Class "A" Members shall be all Owners with the exception of the Declarant (as defined in the Declaration). Class "A" Members shall be entitled to one (1) vote for each Lot of which they are the Owner. In the event the Owner of a Lot is one or more persons or entities, the vote for such Lot shall be exercised as those Members among themselves determine, but in no event shall more than one vote be cast with respect to each Lot in which such Members own undivided interests. The vote for such Lot shall be suspended in the event more than one Member seeks to exercise it. The voting rights of a Lot owned by a corporation, a partnership or other entity shall be exercised by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association. After the Voting Conversion Date (as hereinafter defined), the Declarant shall become a Class A Member with respect to the Lots it owns.

(b) **CLASS B.** The Class "B" Member shall be the Declarant which shall be entitled to three (3) votes for each Lot of which it is the Owner. Each acre of land owned by the Declarant for which a subdivision plat has not been recorded in the Map or Plat Records of Harris County, Texas shall be deemed to contain two Lots for determining voting rights but for no other purpose.

The Class "B" membership shall cease and be converted to Class "A" membership on the Voting Conversion Date. The Voting Conversion Date shall be the earlier of (i) the date that the total number of votes of the Class "A" Members equals or exceeds the number of votes of the Class "B" Member, (ii) January 1, 2011 or (iii) such date as may be established by the Declarant, in its sole

discretion, in a written instrument executed by Declarant and recorded in the Official Public Records of Real Property of Harris County, Texas.

ARTICLE EIGHT

The Association shall act through a board of directors (the "Board of Directors" or the "Board") containing a minimum of three (3) and a maximum of five (5) members, which shall manage the affairs of the Association as specified in the By-Laws. The initial Board shall contain three (3) members and the names and addresses of the initial Board of Directors who are to serve until their successors are appointed or elected are:

- (1) Jacques C. Lazard
109 N. Post Oak Lane, Suite 200
Houston, Texas 77024
- (2) Jack G. Lee
6363 Woodway, Suite 870
Houston, Texas 77057
- (3) William M. Burney, III
6363 Woodway, Suite 870
Houston, Texas 77057

The number of directors may be changed at any time, within the above specified minimum and maximum numbers, by the Board provided that a reduction in the number of directors shall not shorten the term of any director. The method of appointment or election of members of the Board, removal and filing of vacancies, and the term of office of directors shall be as set forth in the By-Laws. The Board may delegate such operating authority to such companies, individuals, or committees as it, in its discretion, may determine.

ARTICLE NINE

The By-Laws of the Association may be amended at any time by majority vote of the Board of Directors.

ARTICLE TEN

The Association reserves the right to amend or repeal any provision of these Articles in the manner now or hereafter prescribed by law; provided, however, any amendment of these Articles must be approved by two-thirds (2/3rds) of the total number of votes of each class of the Members of the Association entitled to be cast by Members who are voting, in person or by proxy, at a meeting duly called for such purpose and at which the necessary quorum exists..

ARTICLE ELEVEN

The conditions and regulations of membership in the Association shall be determined and fixed by these Articles of Incorporation and by the Bylaws, PROVIDED, HOWEVER, that no part of the net earnings of the Association shall ever be distributed or shall otherwise inure to the benefit of any Member of the Association (or any owner of the property covered by the Declaration); and FURTHER, PROVIDED, that in the event of the liquidation, dissolution or winding up of the Association, whether voluntary or involuntary, the directors shall dispose of all property and assets of the Association, including, without limitation, all undistributed income earned thereon, after the payment, satisfaction and discharge of all liabilities and obligations of the Association, or the making of adequate provision therefor in such manner as they, in the exercise of their absolute discretion, and by majority vote, shall determine; however, such disposition shall be exclusively in the furtherance of the purposes for which the Association is formed, and the property and the assets of the Association shall not accrue to the benefit of any officer, director, Member, or any individual having

a personal or private interest in the affairs of the Association or any organization which engages in any activity in which the Association is precluded from engaging.

ARTICLE TWELVE

The name and address of the incorporator of the Association are:

Gary Rachlin
Schlanger, Mills, Mayer & Silver, L.L.P.
5847 San Felipe, Suite 1700
Houston, Texas 77057

ARTICLE THIRTEEN

The Association shall indemnify any person who is or was a director of the Association against judgments, penalties, fines, settlements, and reasonable expenses actually incurred by such person in connection with any action, suit, or proceeding, whether civil or criminal in nature, in which he is made a party by reason of being or having been a director or serving at the Association's request to the fullest extent permitted by the Texas Non-Profit Corporation Act or the Texas Miscellaneous Corporation Laws Act.

ARTICLE FOURTEEN

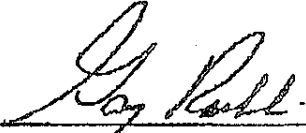
Prior to the Voting Conversion Date, the amendment of the Association's Articles of Incorporation, the merger, consolidation or dissolution of the Association, the mortgaging of Common Property (as defined in the Declaration), and the annexation of property by the Association shall require the approval of the U.S. Department of Housing and Urban Development as long as such approval is required for the Lots to be eligible for Federal Housing Administration financing.

ARTICLE FIFTEEN

No director of the Association shall be liable to the Association or its Members for monetary damages for an act or omission in the director's capacity as a director, except that this Article does not eliminate or limit the liability of a director for (i) a breach of a director's duty of loyalty to the Association or its Members; (ii) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law; (iii) a transaction from which a director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office; or (iv) an act or omission for which the liability of a director is expressly provided for by statute. If the Texas Miscellaneous Corporation Laws Act or any other statute is amended subsequently to the filing of these Articles of Incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Association shall be eliminated or limited to the full extent permitted by such statute, as so amended.

Any repeal or modification of the foregoing paragraph by the Members of the Association shall not adversely affect any right or protection of a director of the Association existing at the time of such repeal or modification.

IN WITNESS WHEREOF, for the purpose of forming this corporation under the laws of the State of Texas, the undersigned has executed these Articles of Incorporation this 6th day of January, 2000.



GARY RÄCHLIN