



Dr. Christopher Harvey, President
Emily Hill, Mayor Pro Tem, Vice President
Anne Weir, Place 2, Board Member
Maria Amezcua, Place 3, Board Member
Sonia Wallace, Place 4, Board Member
Aaron Moreno, Place 5, Board Member
Deja Hill, Place 6, Board Member

Manor Housing Public Facility Corporation

Wednesday, August 07, 2024 at 6:00 PM

Manor City Hall, Council Chambers, 105 E. Eggleston St.

AGENDA

CALL TO ORDER AND ANNOUNCE A QUORUM IS PRESENT

PUBLIC COMMENTS

Non-Agenda Item Public Comments (white card): Comments will be taken from the audience on non-agenda related topics for a length of time, not to exceed three (3) minutes per person.

*Agenda Item Public Comments (yellow card): Comments will be taken from the audience on non-agenda and agenda items combined for a length of time, not to exceed five (5) minutes total per person on all items, except for Public Hearings. Comments on Public Hearing items must be made when the item comes before the Board and, not to exceed two (2) minutes per person. **No Action or Discussion May be Taken by the Board during Public Comments on Non-Agenda Items.***

To address the Board, please complete the white or yellow card and present it to the City Secretary, or designee prior to the meeting.

REGULAR AGENDA

- 1. Consideration, discussion, and possible action to approve the Manor Housing Public Facility Corporation Minutes of the June 18, 2024, meeting.**
- 2. Consideration, discussion, and possible action to authorize one or more TEFRA hearings regarding the Tower Road Apartments project and to appoint Gregory Miller of Bickerstaff Heath Delgado Acosta LLP to conduct such hearing or hearings for the Manor Housing Public Facility Corporation.**
- 3. Consideration, discussion, and possible action on an engagement letter with Chapman and Cutler LP to serve as Disclosure Counsel for the Tower Road Apartments project.**
- 4. Consideration, discussion, and possible action to approve an Operating Agreement of MHPFC TRGC1 LLC.**

ADJOURNMENT

In addition to any executive session already listed above, the City Council reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any of the matters listed above, as authorized by Texas Government Code Section §551.071 (Consultation with Attorney), §551.072 (Deliberations regarding Real Property), §551.073 (Deliberations regarding Gifts and Donations), §551.074 (Personnel Matters), §551.076 (Deliberations regarding Security Devices) and §551.087 (Deliberations regarding Economic Development Negotiations).

CONFLICT OF INTEREST

In accordance with Section 12.04 (Conflict of Interest) of the City Charter, "No elected or appointed officer or employee of the city shall participate in the deliberation or decision on any issue, subject or matter before the council or any board or commission, if the officer or employee has a personal financial or property interest, direct or indirect, in the issue, subject or matter that is different from that of the public at large. An interest arising from job duties, compensation or benefits payable by the city shall not constitute a personal financial interest."

Further, in accordance with Chapter 171, Texas Local Government Code (Chapter 171), no City Council member and no City officer may vote or participate in discussion of a matter involving a business entity or real property in which the City Council member or City officer has a substantial interest (as defined by Chapter 171) and action on the matter will have a special economic effect on the business entity or real property that is distinguishable from the effect on the general public. An affidavit disclosing the conflict of interest must be filled out and filed with the City Secretary before the matter is discussed.

POSTING CERTIFICATION

I, the undersigned authority do hereby certify that this Notice of Meeting was posted on the bulletin board, at the City Hall of the City of Manor, Texas, a place convenient and readily accessible to the general public at all times and said Notice was posted on the following date and time: Friday, August 2, 2024, by 5:00 PM and remained so posted continuously for at least 72 hours preceding the scheduled time of said meeting.

/s/ Lluvia T. Almaraz, TRMC
City Secretary for the City of Manor, Texas

NOTICE OF ASSISTANCE AT PUBLIC MEETINGS:

The City of Manor is committed to compliance with the Americans with Disabilities Act. Manor City Hall and the Council Chambers are wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 10 days prior to this meeting. Please contact the City Secretary at 512.215.8285 or e-mail lalmaraz@manortx.gov

AGENDA ITEM NO. _____



AGENDA ITEM SUMMARY FORM

PROPOSED MEETING DATE: August 7, 2024
PREPARED BY: Lluvia T. Almaraz, Board Secretary
DEPARTMENT: Administration

AGENDA ITEM DESCRIPTION:

Consideration, discussion, and possible action to approve the Manor Housing Public Facility Corporation Minutes of the June 18, 2024, meeting.

BACKGROUND/SUMMARY:

LEGAL REVIEW: Not Applicable
FISCAL IMPACT: No
PRESENTATION: No
ATTACHMENTS: Yes

- June 18, 2024, MPFC Meeting Minutes

STAFF RECOMMENDATION:

Staff recommends that the PFC Board approve the Manor Housing Public Facility Corporation Minutes of the June 18, 2024, meeting.



**MANOR HOUSING PUBLIC FACILITY CORPORATION
REGULAR SESSION MINUTES
JUNE 18, 2024**

PRESENT:

Dr. Christopher Harvey, President

COUNCIL MEMBERS:

Emily Hill, Mayor Pro Tem, Vice-President
 Anne Weir, Board Member (Absent)
 Maria Amezcua, Board Member (Arrived at 6:15 p.m.)
 Sonia Wallace, Board Member
 Aaron Moreno, Board Member
 Deja Hill, Board Member

CITY STAFF:

Scott Moore, City Manager
 Lluvia T. Almaraz, City Secretary
 Scott Jones, Economic Development Director
 Scott Dunlop, Development Services Director
 Gregory Miller, Bond Counsel

REGULAR SESSION – 6:00 P.M.

With a quorum of the Board Members present, the regular session of the Manor Housing Public Facility Corporation was called to order by Board President Harvey at 6:04 p.m. on Tuesday, June 18, 2024, in the Council Chambers of the Manor City Hall, 105 E. Eggleston St., Manor, Texas.

PUBLIC COMMENTS

No one appeared at this time.

REGULAR AGENDA

1. Consideration, discussion, and possible action to approve the Manor Housing Public Facility Corporation Minutes of the May 1, 2024, meeting.

MOTION: Upon a motion made by Board Member Wallace and seconded by Board Member Moreno to approve the Manor Housing Public Facility Corporation Minutes of the May 1, 2024, meeting.

There was no further discussion.

Motion to approve carried 5-0

2. Presentation by the PFC's financial advisor of the timeline for the Tower Road Apartment development project.

Braxton Parson with Hilltop Securities presented the attached PowerPoint presentation.

The topic of discussion was the following:

- Summary of Project
- Multifamily Bond Transaction Timeline
- Issuance Fees
- Overview of Partnership Structure
- Disclaimer

There was no action taken.

Board Member Amezcua arrived at 6:15 p.m. and took her place on the dais.

3. Consideration, discussion, and possible action to ratify the creation of MHPFC TRGP1 LLC and authorize the General Manager to create one or more additional Limited Liability Corporations of the PFC as needed to facilitate the PFC's participation in the Tower Road Apartments development.

Gregory Miller, Bond Counsel discussed the proposed agreement.

MOTION: Upon a motion made by Board Member Amezcua and seconded by Board Member Moreno to ratify the creation of MHPFC TRGP1 LLC and authorize the General Manager to cause the creation of additional Limited Liability Corporations as convenient or necessary for the PFC to participate in the financing and development of the Tower Road Apartments development.

There was no further discussion.

Motion to approve carried 6-0

4. Consideration, discussion, and possible action on adopting the official seal of the Manor Housing Public Facility Corporation.

Economic Development Director Jones discussed the proposed seal and logo for MHPFC.

A discussion was held regarding the name change of Manor Housing Public Facility Corporation.

A new logo was discussed, and a proposed seal would be presented later due to the name change.

MOTION: Upon a motion made by Board Member Wallace and seconded by Board Member Moreno for a new logo and seal to be presented at a later date for consideration.

There was no further discussion.

Motion to approve carried 6-0

ADJOURNMENT

The Regular Session of the Manor Housing Public Facility Corporation was Adjourned at 6:35 p.m. on Tuesday, June 18, 2024.

The Manor Housing Public Facility Corporation approved these minutes on the 7th day of August 2024.

APPROVED:

Dr. Christopher Harvey
PFC Board President

ATTEST:

Lluvia T. Almaraz,
PFC Board Secretary



Manor Housing Public Facility Corporation

Tower Road Apartments

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June 18, 2024

Tim Nelson

Senior Managing Director
2700 Via Fortuna; Suite 410
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Direct: 512.481.2022
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Claire Lastrapes

Vice President
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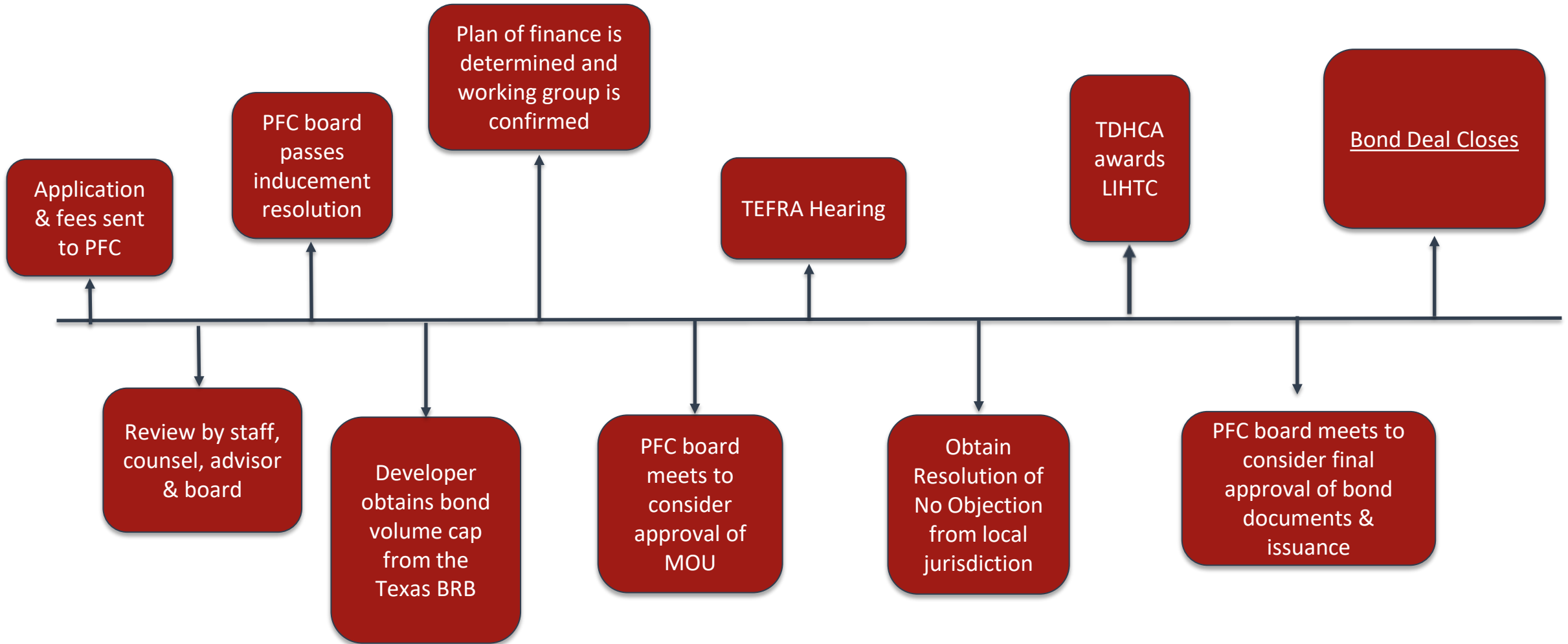
Chelsey Tran

Analyst
2700 Via Fortuna; Suite 410
Austin, TX 78746
Direct: 512.340-1810
chelsey.tran@hilltopsecurities.com

Summary of Project

Apartment Location:	Tower Road Apartments At or near 12200 Tower Road Manor, Texas 78653
Developer:	Dominium 250 W. 55th Street, Floor 35 New York, NY 10019
Borrower:	Manor Leased Housing Associates I, Limited Partnership 2905 Northwest Blvd. Suite 150 Plymouth, MN 55441-2644
Issuer:	Manor Housing Public Facility Corporation
Manor Housing PFC Wholly Owned Entities	General Partner: Co – Developer: Ground Lessor: General Contractor:
Affordability Mix:	100% of the units will be restricted to 60% Area Median Income
Unit Mix:	78 – 2 bedroom units 180 – 3 bedroom units 66 – 4 bedroom units Total Unit Count – 324 Units

Multifamily Bond Transaction Timeline



- Developer fills out PFC application to establish a process, identify criteria, and set application fees and deposits paid by developer to the PFC and its professionals
- Upon receipt of developer's completed application, MHPFC staff and counsel prepares an inducement resolution. PFC takes preliminary action to approve or reject at a meeting called the inducement meeting.
 - **Preliminary action does not obligate board to issue final approval at later date**
- Developer submits Low Income Housing Tax Credit (LIHTC) Application to TDHCA
- Developer obtains bond volume cap from the Texas BRB
- Working group is confirmed
 - Biweekly update calls begin and eventually transitions to weekly update calls
- Preliminary plan of finance determined
- **MHPFC/Third Party Staff begin work on MOU negotiation. Once substantially final, MOU will come back to the PFC for review and approval**
- MHPFC and counsel draft and submit documentation to legally form LLCs/LPs
- Developer receives Resolution of No Objection from the local jurisdiction

Multifamily Bond Transaction Timeline

- TEFRA Hearing (1982 requirement & must post publication of TEFRA Notice 7 days in advance) coordinated by MHPFC staff and Counsel
- Financial bond documents are drafted and commented on over the course of several months
- TDHCA Board Meeting to Approve Award of LIHTC
- **Upon completion of financing and financing documents, the PFC meets to consider final approval of the note documents and issuance**
- Submit substantially final documents at least 12 business days prior to closing to TX AG
- All documents related to MHPFC roles as Issuer, General Partner, General Contractor require MHPFC's Executive Director's (President) signature
- Price/rate lock the bond
- Executed initial bond due to AG 5 business days prior to closing
- All fully executed documents due to AG 3 business days prior to closing
- On the closing date, AG issues opinion as to the validity of the bond
- Bond deal closes, closing fees are paid to MHPFC and on-going annual fees begin to accrue

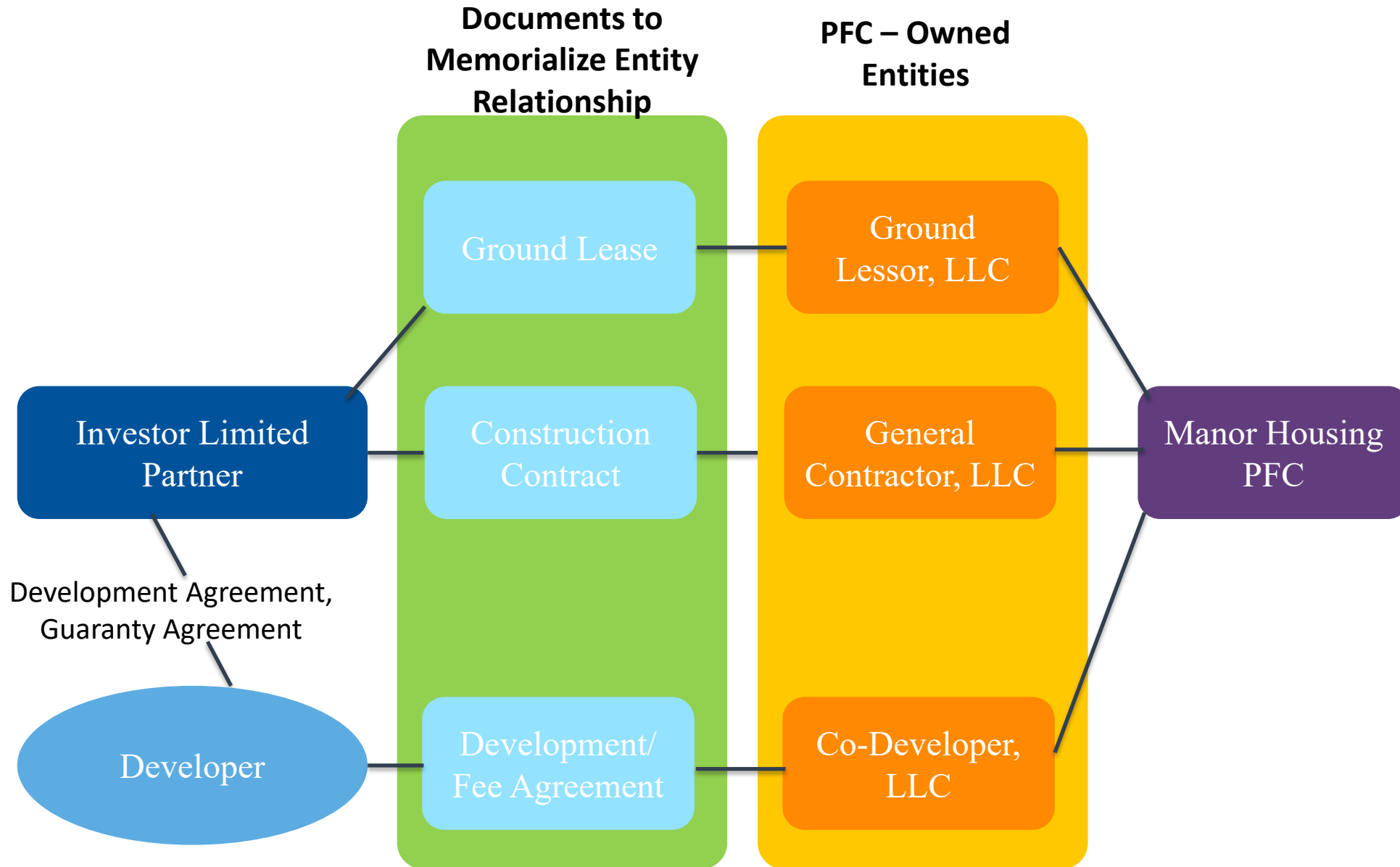
- Bond Issuer Transaction Fees
 - Based on the estimated \$65,000,000 principal amount of the bonds Manor Housing PFC will receive the following issuers fees at closing.

• Manor Housing PFC Issuance Fee (50 bps)	\$325,000
• Manor Housing PFC Issuer Admin Fee (12.5 bps/year for 2 years)	\$162,500
• Total Due at Bond Closing	\$487,500

*Issuer Admin Fee of 12.5 bps on the original par amount is payable annually so long as the bonds are outstanding. In the event where the Bonds are expected to be outstanding for less than 10 years, 10 years of Issuer Admin Fee will be due at the Bond Closing.

- The “partnership structure” generally involves participation of the PFC in one or more of the following roles:
 - **General Partner**
 - GP in a limited partnership with the development entity and elects to be taxed as a corporation.
 - Fee to PFC: Developer Fee – typically between 20% - 35% of total Developer Fee
 - Fee to PFC: Typical share in sale of the project of 1.5% (gross)
 - Fee to PFC: Partnership Management Fee of \$10,000 increasing 3% annually to cover administrative expenses
 - **Ground Lessor**
 - Formed to own the land on which the development is located. Leases land back to borrower pursuant to long-term lease. Lease will have an up-front lease payment sufficient to acquire land.
 - Fee to PFC: Annual lease payment (15% - 20% of taxes abated) in lieu of a cash flow split
 - **General Contractor**
 - Enters into a construction contract (and subcontract) with the construction company to bring about a sales tax exemption for the purchase of materials.
 - Fee to PFC: Typical share in sales tax savings of 25% or 1.5% of total hard costs

Overview of Partnership Structure



- This communication is intended for issuers for educational and informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product or service. Financial transactions may be dependent upon many factors such as, but not limited to, interest rate trends, tax rates, supply, change in laws, rules and regulations, as well as changes in credit quality and rating agency considerations. The effect of such changes in such assumptions may be material and could affect the projected results. Any outcome or result HilltopSecurities, or any of its employees, may have achieved on behalf of our clients in previous matters does not necessarily indicate similar results can be obtained in the future for current or potential clients. HilltopSecurities makes no claim the use of this communication will assure a successful outcome. This communication is intended for institutional use only. For additional information, comments or questions, please contact Hilltop Securities Inc.

Logo 1



CITY OF MANOR
Housing Public Facility Co.

Logo 2



CITY OF MANOR
Housing Public Facility Co.

Logo 3



CITY OF MANOR
Housing Public Facility Co.

Item 1.



CITY OF MANOR
Housing Public Facility

Item 1.



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Item 1.



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Item 1.



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Housing Public Facility

Item 1.



CITY OF MANOR
Housing Public Facility



PUBLIC FACILITY CORPORATION
AGENDA ITEM SUMMARY FORM

PROPOSED MEETING DATE: August 7, 2024
PREPARED BY: Scott Moore, General Manager

AGENDA ITEM DESCRIPTIONS:

Consideration, discussion, and possible action to authorize one or more TEFRA hearings regarding the Tower Road Apartments project and to appoint Gregory Miller of Bickerstaff Heath Delgado Acosta LLP to conduct such hearing or hearings for the Manor Housing Public Facility Corporation.

BACKGROUND/SUMMARY:

The Tower Road Apartments project will be financed in part with tax-exempt multifamily affordable housing revenue bonds. To preserve the tax-exempt nature of the bonds, which will make the financing of the project more affordable and allow for additional equity financing related to Low Income Housing Tax Credits (LIHTC), the bonds will need to be considered at a public hearing that can be held apart from an MHPFC or City Council meeting. The hearing is required under the federal Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA).

It is typical for a PFC to appoint an agent, such as bond counsel, to serve as the hearing officer for the hearing. Such an appointment can make scheduling and use of Board Member time more efficient. The hearing can be held by phone and Board Members do not need to be present.

This item allows for the MHPFC’s counsel, Gregory Miller of Bickerstaff Heath Delgado Acosta, LLP, to serve as the MHPFC’s TEFRA hearing officer to cause notice of the hearing to be published and to convene the required hearing by telephone. He will present a summary of the hearing as part of the approval of the bonds by the City Council and the MHPFC Board.

LEGAL REVIEW: Yes, Gregory Miller, Bond Counsel
FISCAL IMPACT: Not Applicable
PRESENTATION: Yes
ATTACHMENTS: No

Proposed Motion: Move that the Board appoint Gregory Miller of Bickerstaff Heath Delgado Acosta to serve as hearing officer for the TEFRA hearing for the Tower Road Apartments development.

AGENDA ITEM NO.



PUBLIC FACILITY CORPORATION
AGENDA ITEM SUMMARY FORM

PROPOSED MEETING DATE: August 7, 2024
PREPARED BY: Scott Moore, General Manager

AGENDA ITEM DESCRIPTIONS:

Consideration, discussion, and possible action to engage Chapman and Cutler LP as Disclosure Counsel for the Tower Road Apartments project.

BACKGROUND/SUMMARY:

The Tower Road Apartments project will be financed in part with tax-exempt multifamily affordable housing revenue bonds. As with other financings that the City of Manor has undertaken, the marketing of these bonds will require the use of a preliminary offering statement. The drafting of these documents for this type of bond transaction typically is done by “disclosure counsel” which serves as special counsel to the issuer (here, MHPFC). The duties of disclosure counsel primarily are to conduct due diligence for the project and to draft the POS.

Disclosure counsel services are provided on a contingency fee basis and are paid from the proceeds of the bond transaction.

Chapman & Cutler serves as the MHPFC’s tax counsel for the Tower Road Apartments transactions and is qualified to serve as disclosure counsel for the bond financing.

LEGAL REVIEW: Yes, Gregory Miller, Cond Counsel
FISCAL IMPACT: Not Applicable
PRESENTATION: Yes
ATTACHMENTS: Yes

- Form of Agreement between MHPFC and Chapman & Cutler

Proposed Motion: Move to authorize the General Manager to negotiate and execute an agreement in substantially the same form as what has been provided to the Board for this matter with Chapman and Cutler LP to serve as disclosure counsel to the MHPFC for the Tower Roads Apartments project.

June 11, 2024

VIA E-MAIL

Manor Housing Public Facility Corporation
Attention: Christopher Harvey

Manor Leased Housing Development I, LLC
Attention: Neal Route
nroute@dominiuminc.com

Re: Manor Housing Public Facility Corporation
(Tower Road Apartments)

Gentlemen:

As you know, we will represent and serve as disclosure counsel (“*Disclosure Counsel*”) to the Manor Housing Public Facility Corporation (the “*Issuer*”) in connection with the proposed issuance of tax-exempt obligations for the Tower Road Apartments project (the “*Bonds*”), the proceeds of which are to be loaned to Manor Leased Housing Associates I, Limited Partnership (the “*Borrower*”). We look forward to working with you on this financing and wanted to take this opportunity to set forth the scope of our responsibilities as Disclosure Counsel in connection with the captioned financing, and to describe the basis for our compensation.

Identification of Client. In our role as Disclosure Counsel in conduit bond issues such as this, although the Issuer only, and not the Borrower, Manor Leased Housing Development I, LLC (the “*Developer*”) or any affiliate of the Borrower or the Developer, is our client, the fees and expenses of Disclosure Counsel are the responsibility of the Borrower and the Developer.

Scope of Services. As Disclosure Counsel, we will work with the Issuer, the Borrower, the Developer, the underwriter, counsel for the underwriter, financial advisors, bond counsel, the trustee and others (the Issuer, the Borrower and all of the foregoing persons or firms, collectively, the “*Participants*”) and prepare and compile the official statement (the “*Official Statement*”) relating to the Bonds. The Participants, including particularly the Borrower, should understand that the primary obligation for adequate disclosure rests with the Borrower, and recognize that substantial parts of the offering document may be prepared by other Participants, who will have their own obligations for adequate and complete information with respect to information that they supply. In compiling such offering document, we are *not* undertaking to perform the duties of the Borrower, the Developer or the Issuer or any other transaction participant to provide full, complete and accurate information. We will not pass upon, or assume responsibility for, the accuracy or completeness of, and will not independently verify, the underlying facts ultimately included in the Official Statement. In particular, we will not be reviewing or passing upon (i) the information

relating to The Depository Trust Company and its book-entry only system; (ii) the information relating to the credit providers, if any, contained or incorporated in any section of, or appendix to, the Official Statement containing information relating to any credit provider, (iii) any financial statements or other financial, operating, statistical or accounting data contained or incorporated therein; (iv) information concerning any past, pending or threatened litigation against the Issuer, the Borrower or the underwriter of the Bonds; (v) information summarizing the opinion of bond counsel with respect to the tax exemption of the interest on the Bonds; nor (vi) the information concerning the Borrower or the Issuer contained in or incorporated by reference.

Our services as Disclosure Counsel are limited as stated above (the “*Services*”). Among other things, our *Services do not* include:

1. Giving any advice, opinion or representation as to the financial feasibility or the fiscal prudence of issuing the Bonds, including, without limitation, the undertaking of the refunding, the investment of Bond proceeds, the making of any investigation of or the expression of any view as to the creditworthiness of the Borrower, or of the Bonds or the form, content, adequacy or correctness of any financial statements. We will not offer you financial advice in any capacity beyond that constituting services of a traditionally legal nature.
2. Independently establishing the veracity of certifications and representations of the Issuer, the Borrower or the other Participants. For example, we will not review the data available on the Electronic Municipal Market Access system website created by the Municipal Securities Rulemaking Board (and commonly known as “EMMA”) to verify the information relating to the Bonds, and we will not undertake a review of any websites to establish that information contained therein corresponds to that which were provided independently in certificates or other transaction documents.
3. Opining on the validity or tax exemption of the interest on the Bonds.
4. Performing an independent investigation to determine the accuracy, completeness or sufficiency of the Official Statement; opining on securities law compliance or as to the continuing disclosure undertaking pertaining to the Bonds; or, after the execution and delivery of the Bonds, providing advice as to any Securities and Exchange Commission investigations or concerning any actions necessary to assure compliance with any continuing disclosure undertaking.
5. Preparing any of the following — requests for tax rulings from the Internal Revenue Service (the “*IRS*”), blue sky or investment surveys with respect to the Bonds.
6. Any other services not specifically set forth above in the *Services*.

Legal Fees. Based upon our current understanding of the terms, structure, size and schedule of the proposed financing, the duties we will undertake pursuant to this engagement letter, the time we estimate will be necessary to effectuate the transaction and the responsibilities we will assume, our fee for Disclosure Counsel services will be \$35,000. Additionally, we would expect to be reimbursed for any out-of-pocket expenses incurred.

The Borrower may pay the remaining fees out of the proceeds of the Bonds, subject to federal tax law limits, or out of other funds available to the Developer or the Borrower, at your option. If for any reason the financing is abandoned or terminated, we would expect to bill for services rendered and expenses incurred to the date of abandonment or termination of the financing. In such case, we would look to the Developer for the payment of such fees. Our willingness to proceed with our work as Disclosure Counsel is expressly premised on the understanding that we will be paid for such work, whether or not the Bonds are actually issued.

Consent to Potential Adverse Party Conflict. In light of the extent of our finance-related practice, it is possible that some of our present or future clients will have matters adverse to the Issuer during the course of this engagement. From time to time, we represent in a variety of capacities and consult with most underwriters, investment bankers, credit enhancers such as bond insurers or issuers of letters of credit or liquidity facilities, rating agencies, investment providers, brokers of financial products, financial advisors, conduit issuers and other persons active in the public finance market on a wide range of issues. The Issuer's acceptance of our services and execution of this engagement letter constitutes its consent to these other past, present and future engagements.

General Terms. Upon execution of this engagement letter, the Issuer will be our client, and an attorney-client relationship will exist between us. However, our services as Disclosure Counsel are limited as set forth in this engagement letter, and the execution of this engagement letter by the Developer and the Issuer will constitute an acknowledgment of those limitations.

This engagement letter shall be deemed to have been made, executed and delivered in the State of Texas. The parties hereto agree that any action or proceeding related directly or indirectly to this agreement shall, at our election, be maintained only in courts located in the State of Texas. The parties hereto hereby irrevocably consent to the jurisdiction and venue of any such court.

This engagement letter contains the entire agreement between the parties hereto respecting the settlement of any lawsuit. The parties hereto acknowledge and agree that this agreement shall be governed by and construed in accordance with the laws of the State of Texas.



Manor Housing Public Facility Corporation
June 11, 2024
Page 4

Please acknowledge your acceptance of this engagement letter by executing in the space provided below and returning an executed engagement letter to us at your earliest convenience.

[Remainder of page intentionally left blank.]



Manor Housing Public Facility Corporation
June 11, 2024
Page 5

Sincerely,

CHAPMAN AND CUTLER LLP

By Ryan J. Bowen
Ryan J. Bowen

ACKNOWLEDGED AND AGREED TO:

MANOR LEASED HOUSING DEVELOPMENT I, LLC

By _____
Name: _____
Title: _____

MANOR HOUSING PUBLIC FACILITY CORPORATION

By _____
Name: Christopher Harvey
Title: President

AGENDA ITEM NO.



PUBLIC FACILITY CORPORATION
AGENDA ITEM SUMMARY FORM

PROPOSED MEETING DATE: August 7, 2024
PREPARED BY: Scott Moore, General Manager

AGENDA ITEM DESCRIPTIONS:

Consideration, discussion, and possible action to approve an Operating Agreement of MHPFC TRGC1 LLC.

BACKGROUND/SUMMARY:

The Tower Road Apartments project will be financed in part with tax-exempt multifamily affordable housing revenue bonds. The transcript for the bond transaction, which is the collection of the key transaction documents, includes a general certificate of the general partner to the general partnership that will be borrowing the bond funds to develop the project. The general partner for the Tower Roads Apartments project is MHPFC TRGP1, LLC, which has been created by the Manor Housing Public Facility Corporation.

Typically, for these types of bond transactions, there will be an “operating agreement” between the PFC and the LLC that it created (here “MHPFC TRGP1”) to establish the relationship between the entities.

This operating agreement, among other things, provides for the indemnity of the MHPFC by MHPFC TRGP1. It is consistent with the form of operating agreement used in similar circumstances by PFCs throughout the state.

LEGAL REVIEW: Yes, Gregory Miller, Bond Counsel
FISCAL IMPACT: Not Applicable
PRESENTATION: Yes
ATTACHMENTS: Yes

- Form of Operating Agreement

Proposed Motion: Move that the Board authorize the General Manager to execute an operating agreement in substantially the same form as the agreement provided to the Board for this matter between the MHPFC and its special purpose entity, MHPFC TRGP1, LLC in furtherance of the financing and development of the Tower Road Apartments project.

OPERATING AGREEMENT

MHPFC TRGP1, LLC A Texas Limited Liability Company

This operating agreement, also known as regulations (the "Regulations") of **MHPFC TRGP1, LLC** (the "Company"), adopted effective August __, 2024, are adopted and executed by the Sole Member, THF Housing Development Corporation (as defined below) for the governance and operation of the business of the Company.

ARTICLE I: DEFINITIONS

1.01 The following terms have the following meanings in these Regulations:

"Act" means the Texas Limited Liability Company Act and any successor statute, as amended from time to time and now incorporated in the Texas Business Organizations Code.

"Articles" has the meaning given that term in Section 2.01.

"Bankrupt Member" means (except to the extent a Required Interest consents otherwise) any Member (a) that (i) makes a general assignment for the benefit of creditors; (ii) files a voluntary bankruptcy petition; (iii) becomes the subject of an order for relief or is declared insolvent in any federal or state bankruptcy or insolvency proceedings; (iv) files a petition or answer seeking for the Member a reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any law; (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Member in a Proceeding of the type described in subclauses (i) through (iv) of this clause (a); or (vi) seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of the Member's or of all or any substantial part of the Member's properties; or (b) against which a Proceeding seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any law has been commenced and 120 days have expired without dismissal thereof or with respect to which, without the Member's consent or acquiescence, a trustee, receiver, or liquidator of the Member or of all or any substantial part of the Member's properties has been appointed and 90 days have expired without the appointment's having been vacated or stayed, or 90 days have expired after the date of expiration of a stay, if the appointment has not previously been vacated.

"BOC" means the Texas Business Organizations Code and any successor statute, as amended from time to time.

"Business Day" means any day other than a Saturday, a Sunday, or a holiday on which national banking associations in the State of Texas are closed.

"Capital Contribution" means any contribution by a Member to the capital of the Company.

"Code" means the Internal Revenue Code of 1986 and any successor statute, as amended from time to time.

"Commitment" means, subject in each case to adjustments on account of Dispositions of Membership Interests permitted by these Regulations, (a) in the case of a Member executing these Regulations or a Person acquiring that Membership Interest, the amount specified for that Member as its Commitment on Exhibit A, and (b) in the case of a Membership Interest issued pursuant to Section 3.04, the Commitment established pursuant thereto.

"Company" means MHPFC TRGPI, LLC, a Texas limited liability company.

"Default Interest Rate" means a rate per annum equal to the lesser of (a) ten percent plus a varying rate per annum that is equal to the interest rate publicly quoted by the Wall Street Journal from time to time as its prime commercial or similar reference interest rate, with adjustments in the varying rate to be made on the same date as any change in that rate, and (b) the maximum rate permitted by applicable law.

"Delinquent Member" has the meaning given that term in Section 4.03(a).

"Dispose," "Disposing," or "Disposition" means a sale, assignment, transfer, exchange, mortgage, pledge, grant of a security interest, or other disposition or encumbrance (including without limitation, by operation of law), or the acts thereof.

"Entity" means the THF Housing Development Corporation, a Texas nonprofit corporation and instrumentality of the Texas Housing Foundation, a Texas regional housing authority.

"General Interest Rate" means a rate per annum equal to the lesser of (a) varying rate per annum that is equal to the interest rate publicly quoted by the Wall Street Journal from time to time as its prime commercial or similar reference interest rate, with adjustments in that varying rate to be made on the same date as any change in that rate, and (b) the maximum rate permitted by applicable law.

"Manager" means any Person named in the Regulations as a Manager, who shall be the President of the Sole Member and any Person hereafter designated by the Sole Member as a Manager of the Company as provided in these Regulations but does not include any Person who has ceased to be a Manager of the Company.

"Member" means the Manor Housing Public Facility Corporation, a Texas nonprofit corporation organized under Chapter 303 of the Texas Local Government Code, or successor entity that is an instrumentality of the Manor Housing Public Facility Corporation but does not include any Person or Entity who has ceased to be a Member of the Company.

"Membership Interest" means the interest of a Member in the Company, including, without limitation, rights to distributions (liquidating or otherwise), allocations, information, and to

consent or approve.

"Person" has the meaning given that term in Article 1 .02(A)(4) of the

Act. **"Proceeding"** has the meaning given that term in Section 8.01.

"Regulations" has the meaning given that term in the introductory

paragraph.

"Required Interest" means one or more Members having among them at least 100% of the Sharing Ratios of all Members.

"TBCA" means the Texas Business Corporation Act and any successor statute, as amended from time to time.

Other terms defined herein have the meaning so given them.

1.02 Construction. Whenever the context requires, the gender of all words used in these Regulations included the masculine, feminine, and neuter. All references to Certificate of Formation and Sections refer to articles and sections of these Regulations, and all references to Exhibits are to Exhibits attached hereto, each of which is made a part hereof for all purposes.

ARTICLE II: ORGANIZATION

2.01 Formation. The Company has been organized as a Texas limited liability company by the filing of a Certificate of Formation of Organization (the "COF") under the BOC and the Act and issuance of Certificate of Formation for the Company by the Texas Secretary of State.

2.02 Name. The name of the Company is "**THF Hillside Village GP, LLC**" and all Company business must be conducted in that name or such other names that comply with applicable law as the Member may select from time to time.

2.03 Registered Office, Registered Agent, Principal Office in the United States; Other Offices. The registered office of the Company required by the Act to be maintained in the State of Texas will be the office of the initial registered agent named in the Certificate of Formation or such other office (which need not be a place of business of the Company) as the Member may designate from time to time in the manner provided by law. The registered agent of the Company in the State of Texas will be the initial registered agent named in the Certificate of Formation or such other Person or Persons as the Member may designate from time to time in the manner provided by law. The principal office of the Company in the United States will be at the place that the Member may designate, and the Company will maintain records there as required by Article 2.22 of the Act and will keep the street address of such principal office at the registered office of the Company in the State of Texas.

2.04 Purposes. The purposes of the Company are those set forth in the Certificate of Formation.

2.05 Foreign Qualification. Prior to the Company's conducting business in any jurisdiction other than Texas, the Member will cause the Company to comply, to the extent procedures are available and those matters are reasonably within the control of the Member, with all requirements necessary to qualify the Company as a foreign limited liability company in that jurisdiction. At the request of the Member, each Member will execute, acknowledge, swear to, and deliver all certificates and other instruments conforming with these Regulations that are necessary or appropriate to qualify, continue, and terminate the Company as a foreign limited liability company in all such jurisdictions in which the Company may conduct business.

2.06 Term. The Company begins business on the date the Texas Secretary of State issues a certificate of filing of the certificate of formation for the Company and will continue in existence for the perpetual period according to the certificate of formation for the duration of the Company, or such earlier time as these Regulations may specify.

2.07 Mergers and Exchanges. The Company may be a party to (a) a merger, or (b) an exchange or acquisition of the type described in Article 10.06 of the Act, subject to the requirements of Section 6.01 (b)(ii).

2.08 No State-Law Partnership. The Members intend that the Company not be a partnership (including, without limitation, a limited partnership) or joint venture, and that no Member be a partner or joint venturer of any other Member, for any purposes other than federal and state tax purposes, and these Regulations may not be construed to suggest otherwise.

ARTICLE III: MEMBERSHIP; DISPOSITIONS OF INTERESTS

3.01 Initial Member. The initial Sole Member of the Company is the Entity executing these Regulations on the date of these Regulations as the sole Member, which is admitted to the Company as a Member effective with the execution by the Entity of these Regulations.

3.02 Representations and Warranties. The Member represents and warrants to the Company that

(a) if that Member is a corporation, it is organized, existing, and in good standing under Texas law and is qualified and in good standing as a nonprofit corporation in Texas as its principal place of business;

(b) that Member has full corporate, or other applicable power and authority to execute and agree to these Regulations and to perform its obligations hereunder and all necessary actions by the board of directors necessary for the authorization, execution, delivery, and performance of these Regulations by the Member have been taken;

(c) the Member has executed and delivered these Regulations; and (d) the Member's authorization, execution, delivery, and performance of these Regulations do not conflict with any other agreement or arrangement to which that Member is a party or by which it is bound.

3.03 Restrictions on the Disposition of an Interest.

(a) A disposition of an interest in the Company may not be effected without the consent of the Member.

(b) Subject to the provisions of this Section 3.03, (i) an Entity to which an interest in the Company is transferred has the right to be admitted to the Company as a Member with the Sharing Ratio and the Commitment so transferred to such Person, if (A) the Member making such transfer grants the transferee the right to be so admitted, and (B) such transfer is consented to in accordance with Section 3.03(a), and (ii) the Company or (with the permission of the Company, which may be withheld in its sole discretion) a Lending Member may grant the purchaser of a Delinquent Member's interest in the Company at a foreclosure of the security interest therein granted pursuant to Section 4.03(b) the right to be admitted to the Company as a Member with such Sharing Ratio and such Commitment (no greater than the Sharing Ratio and the Commitment of the Member effecting such Disposition prior thereto) as they may agree.

(c) The Company may not recognize for any purpose any purported Disposition of all or part of a Membership Interest unless and until the other applicable provisions of this Section 3.03 have been satisfied and the Member has received, on behalf of the Company, a document (i) executed by both the Member effecting the Disposition (or if the transfer is on account of the death, incapacity, or liquidation of the transferor, its representative) and the Person to which the Membership interest or part thereof is Disposed, (ii) including the notice address of any Person to be admitted to the Company as a Member and its agreement to be bound by these Regulations in respect of the Membership Interest or part thereof being obtained, (iii) setting forth the Sharing Ratios and the Commitments after the Disposition of the Member effecting the Disposition and the Person to which the Membership Interest of part thereof is Disposed (which together must total the Sharing Ratio and the Commitment of the Member effecting the Disposition before the Disposition), and (iv) containing a representation and warranty that the disposition was made in accordance with all applicable laws and regulations (including securities laws) and, if the Person to which the Membership Interest or part thereof is Disposed is to be admitted to the Company, its representation and warranty that the representations and warranties in Section 3.02 are true and correct with respect to that Person. Each disposition and, if applicable, admission complying with the provisions of Section 3.03(b) is effective as of the first day of the calendar month immediately succeeding the month in which the Member receives the notification of Disposition and the other requirements of this Section 3.03 have been met.

(d) For the right of a Member to Dispose of a Membership Interest or any part thereof or of any Person to be admitted to the Company in connection therewith to exist or be exercised,

(i) either

(A) the Membership Interest of part thereof subject to the Disposition or admission must be registered under the Securities Act of 1933, as amended, and any applicable state securities laws or

(B) the Company must receive a favorable opinion of the Company's legal counsel or of other legal counsel acceptable to the Member to the effect that the Disposition or

admission is exempt from registration under those laws and (ii) the Company must receive a favorable opinion of the Company's legal counsel or of other legal counsel acceptable to the Member to the effect that the Disposition or admission, when added to the total of all other sales, assignments, or other dispositions within the preceding 12 months, would not result in the Company's being considered to have terminated within the meaning of the Code. The Member, however, may waive the requirements of this Section 3.03(d).

(e) The Member effecting a Disposition and any Person admitted to the Company in connection therewith will pay, or reimburse the Company for, all costs incurred by the Company in connection with the Disposition or admission (including, without limitation, the legal fees incurred --in connection with the legal opinions referred to in Section 3.03(d)) on or before the tenth day after the receipt by that Person of the Company's invoice for the amount due. If payment is not made by the date due, the Person owing the amount will pay interest on the unpaid amount from the date due until paid at a rate per annum equal to the Default Interest Rate.

(f) If the interest is transferred by assignment, the fact of assignment itself entitles the assignee to the right of (i) allocation of income, gain, loss, deduction, credit, or similar items, and to receive distributions to which the assignor is entitled to the extent these items were assigned, and

(ii) reasonable information or account of transactions of the Company and to make reasonable inspection of the books and records of the Company. If and until the assignee is made a Member by consent of a majority of the Members, the assignor continues as a Member. The assignee becomes liable as a Member upon admittance to Membership; and is liable for assignor's obligations, limited to those obligations that were ascertainable at admittance as a Member from these Regulations. The assignor continues to be liable to the Company regardless of assignment of his interest, in whole or in part.

3.04 Additional Members. Additional Persons or Entity may be admitted to the Company as Members and Membership Interests may be created and issued to those Persons and to existing Members at the direction of a majority of the Members, on such terms and conditions as the Member

may determine at the time of admission. The terms of admission or issuance must specify the Sharing Ratios and the Commitments applicable thereto and may provide for the creation of different classes or groups of Members and having different rights, powers, and duties. The Member will reflect the creation of any new class or group in an amendment to these Regulations indicating the different rights, powers, and duties, and such an amendment need be executed only by the Member. Any such admission must comply with the provisions of Section 3.03(d)(i) and is effective only after the new Member has executed and delivered to the Member a document including the new Member's notice address, its agreement to be bound by these Regulations, and its representation and warranty that the representation and warranties in Section 3.02 are true and correct with respect to the new Member. The provisions of Section 3.03(c) will not apply to dispositions of Membership Interests.

3.05 Interest in a Member. A Member that is not a natural Person may not cause or permit

an interest, direct or indirect, in itself to be disposed of such that, after the Disposition, (a) the Company would be considered to have terminated within the meaning of Section 708 of the Code or (b) without the consent of the Member and a Required Interest, that Member will cease to be controlled by substantially the same persons who control it as of the date of its admission to the Company. On any breach of the provisions of clause (b) of the immediately preceding sentence, the Company will have the option to buy, and on exercise of that option the breaching Member will sell, the breaching Member's Membership Interest, all in accordance with Section 11.01 as if the breaching Member were a Bankrupt Member.

3.06 Information.

(a) In addition to the other rights specifically set forth in these Regulations, each Member is entitled to all information to which that Member is entitled to have access pursuant to Article 2.22 of the Act under the circumstances and subject to the conditions therein stated. The Members agree, however, that the Member from time to time may determine, due to contractual obligations, business concerns, or other considerations, that certain information regarding the business, affairs, properties, and financial condition of the Company should be kept confidential and not provided to some or all other Members, and that it is not just or reasonable for those Members or assignees or representatives thereof to examine or copy that information.

(b) The Members acknowledge that, from time to time, they may receive information from or regarding the Company in the nature of trade secrets or that otherwise is confidential, the release of which may be damaging to the Company or Persons with which it does business. Each Member will hold in strict confidence any information it receives regarding the Company that is identified as being confidential (and if that information is provided in writing, that is so marked) and may not disclose it to any Person other than another Member or a Manager, except for disclosures (i) compelled by law (but the Member must notify the Member promptly of any request for that information, before disclosing it if practicable), (ii) to advisers or representatives of the Member or Persons to which that Member's Membership Interest may be Disposed as permitted by these Regulations, but only if the recipients have agreed to be bound by the provisions of this Section 3.06(b), or (iii) of information that Member also has received from a source independent of the Company that the Member reasonably believes obtained that information without breach of any obligation of confidentiality. The Members acknowledge that breach of the provisions of this Section 3.06(b) may cause irreparable injury to the Company for which monetary damages are inadequate, difficult to compute, or both. Accordingly, the Members agree that the provisions of this Section 3.06(b) may be enforced by specific performance.

3.07 Liability to Third Parties. No Member or Manager will be liable for the debts, obligations, or liabilities of the Company, including under a judgment decree or order of a court.

3.08 Withdrawal. A Member may withdraw from the Company with sixty days' notice to the Member of the Company, subject to dissolution of Section 12.01.

3.09 Lack of Authority. No Member (other than a Manager or an officer) has the authority or power to act for or on behalf of the Company, to do any act that would be binding on the

Company, or to incur any expenditures on behalf of the Company.

ARTICLE IV: CAPITAL CONTRIBUTIONS

4.01 Initial Contributions. Contemporaneously with the execution by such Member of these Regulations, each Member will make a Capital Contributions in the amount of \$1.

4.02 Subsequent Contributions. Without creating any rights in favor of any third party, each Member will contribute to the Company, in cash, on or before the date specified as hereinafter described, that Member's Sharing Ratio of all monies that in the judgment of the Member are necessary to enable the Company to cause the assets of the Company to be properly operated and maintained and to discharge its costs, expenses, obligations, and liabilities; provided, however, that a Member is not obligated to contribute a total amount that, when added to all Capital Contributions that Member previously has made pursuant to Section 4.01 or this Section 4.02, exceeds that Member's Commitment. The Member will notify each Member of the need for Capital Contributions pursuant to this Section 4.02 when appropriate, which written notice must include a statement in reasonable detail of the proposed uses of the Capital Contributions and a date (which date may be no earlier than the fifth business day following each Member's receipt of its notice) before the Capital Contributions must be made. Notices for Capital Contributions must be made to all Members in accordance with their Sharing Ratios.

4.03 Failure to Contribute.

(a) If a Member does not contribute by the time required all or any portion of a Capital Contribution that Member is required to make as provided in these Regulations, the Company may exercise, on notice to that Member (the "Delinquent Member"), one or more of the following remedies:

(i) taking such action (including, without limitation, court proceedings) as the Member may deem appropriate to obtain payment by the Delinquent Member of the portion of the Delinquent Member's Capital Contribution that is in default, together with interest thereon at the Default Interest Rate from the date that the Capital Contribution was due until the date that it is made, all at the cost and expense of the Delinquent Member;

(ii) permitting the other Members in proportion to their Sharing Ratios or in such other percentages as they may agree (the "Lending Member," whether one or more), to advance the portion of the Delinquent Member's Capital Contribution that is in default, with the following results:

- (A) the sum advanced constitutes a loan from the Lending Member to the Delinquent Member and a Capital Contribution of that sum to the Company by the Delinquent Member pursuant to the applicable provisions of these Regulations,
- (B) the principal balance of the loan and all accrued unpaid interest thereon is due and payable in whole on the tenth day after written demand therefor by the Lending Member to the

Delinquent Member,

- (C) the amount lent bears interest at the Default Interest Rate from the day that the advance is deemed made until the date that the loan, together with all interest accrued on it, is repaid to the Lending Member,
- (D) all distributions from the Company that otherwise would be made to the Delinquent Member (whether before or after dissolution of the Company) instead will be paid to the Lending Member until the loan and all interest accrued on it have been paid in full to the Lending Member (with payments being applied first to accrued and unpaid interest and then to principal), the payment of the loan and interest accrued on it is secured by a security interest in the Delinquent Member's Membership Interest, as more fully set in Section 4.03(b), and
- (E) the Lending Member has the right, in addition to the other rights and remedies granted to it pursuant to these Regulations or available to it at law or in equity, to take any action (including, without limitation, court proceedings) that the Lending Member may deem appropriate to obtain payment by the Delinquent Member of the loan and all accrued and unpaid interest on it, at the cost and expense of the Delinquent Member;

(iii) exercising the rights of a secured party under the Uniform Commercial Code of the State of Texas, as more fully set forth in Section 4.03(b);

(iv) reducing the Delinquent Member's Membership Interest or other interest in the Company;

(v) subordination of the Delinquent Member's interest to the non-defaulting Member;

(vi) a forced sale of the Delinquent Member's interest;

(vii) forfeiture of the Delinquent Member's interest;

(viii) determination of the value of the Delinquent Member's interest by appraisal or by formula and redemption or sale of the interest at that value; or

(ix) exercising any other rights and remedies available at law or in equity.

(b) Each Member grants to the Company, and to each Lending Member with respect to any loans made by the Lending Member to that Member as a Delinquent Member pursuant to Section 4.03(a)(ii), as security, equally and ratably, for the payment of all Capital Contributions that Member has agreed to make and the payment of all loans and interest accrued on them made by Lending Members to that Member as a Delinquent Member pursuant to Section 4.03(a)(ii), a

security interest in, and a general lien on its Membership Interest and the proceeds thereof, all under the Uniform Commercial Code of the State of Texas. It is expressly agreed that the security interest created thereby will be governed by Chapter 8 of the Uniform Commercial Code of the State of Texas. On any default in the payment of a Capital Contribution or in the payment of such a loan or interest accrued on it, the Company, or the Lending Member, as applicable, is entitled to all the rights and remedies of a secured party under the Uniform Commercial Code of the State of Texas with respect to the security interest granted in this Section 4.03(b). Each Member will execute and deliver to the Company and the other Members all financing statements and other instruments that the Member or the Lending Member, as applicable, may request to effectuate and carry out the preceding provisions of this Section 4.03(b). At the option of the Member or a Lending Member, these Regulations, or a carbon, photographic, or other copy hereof may serve as a financing statement.

(c) The obligation of a Delinquent Member or its legal representative or successor to make a contribution or otherwise pay cash or transfer property or to return cash or property paid or distributed to the Delinquent Member in violation of the Act or these Regulations may be compromised or released only by consent of all Members. Notwithstanding the compromise or release, a creditor of the Company who extends credit or otherwise acts in reasonable reliance on that obligation, after the Member signs a writing that reflects the obligation and before the writing is amended or canceled to reflect the compromise or release, may enforce the original obligation.

4.04 Return of Contributions. A Member is not entitled to the return of any part of its Capital Contributions or to be paid interest in respect of either its capital account or its Capital Contributions.

An unrepaid Capital Contribution is not a liability of the Company or of any Member. A Member is not required to contribute or to lend any cash or property to the Company to enable the Company to return any Member's Capital Contributions.

4.05 Advances by Members. If the Company does not have sufficient cash to pay its obligations, any Member(s) that may agree to do so with the Member's consent may advance all or part of the needed funds to or on behalf of the Company. An advance described in this Section 4.05 constitutes a loan from the Member to the Company, bears interest at the General Interest Rate from the date of the advance until the date of payment and is not a Capital Contribution.

4.06 Capital Accounts. A capital account will be established and maintained for each Member. Each Member's capital account (a) will be increased by (i) the amount of money contributed by that Member to the Company, (ii) the fair market value of property contributed by that Member to the Company (net of liabilities secured by the contributed property that the Company is considered to assume or take subject to under Section 752 of the Code), and (iii) allocations to that Member of Company income and gain (or items thereof), including income and gain exempt from tax and income and gain described in Treas. Reg. § 1.704-1 (b)(2)(iv)(g), but excluding income and gain described in Treas. Reg. § 1.704-1 (b)(4)(i), and (b) will be decreased by (i) the amount of money distributed to that Member by the Company, (ii) the fair market value of property distributed to that Member by the Company (net of liabilities secured by the distributed property that the Member is considered to assume or take subject to under section 752 of the Code), (iii) allocations to that Member of expenditures of the

Company described in Section 705(a)(2)(B) of the Code, and (iv) allocations of Company loss and deduction (or items thereof), including loss and deduction described in Treas. Reg. § 1.704-1 (b)(2)(iv)(g), but excluding items described in clause (b)(iii) above and loss or deduction described in Treas. Reg. § 1.704-1 (b)(4)(i) or § 1.704-1 (b)(4)(iii). The Member's capital accounts also will be maintained and adjusted as permitted by the provisions of Treas. Reg. § 1.704-1 (b)(2)(iv)(f) and as required by the other provisions of Treas. Reg. § 1.704-1 (b)(2)(iv) and 1.704-1 (b)(4), including adjustments to reflect the allocations to the Members of depreciation, depletion, amortization, and gain or loss as computed for tax purposes, as required by Treas. Reg. § 1.704-1 (b)(2)(iv)(g). A Member that has more than one Membership Interest will have a single capital account that reflects all its Membership Interests, regardless of the class of Membership Interests owned by that Member and regardless of the time or manner in which those Membership Interests were acquired. On the transfer of all or part of a Membership Interest, the capital account of the transferor that is attributable to the transferred Membership Interest or part thereof will carry over to the transferee Member in accordance with the provisions of Treas. Reg. § 1.704-1 (b)(2)(iv)(l).

ARTICLE V: ALLOCATIONS AND DISTRIBUTIONS

5.01 Allocations.

(a) Except as may be required by Section 704 (c) of the Code and Treas. Reg. § 1.704-1 (b)(2)(iv)(f)(4), all items of income, gain, loss, deduction, and credit of the Company will be

allocated among the Members in accordance with their Sharing Ratios.

(b) All items of income, gain, loss, deduction, and credit allocable to any Membership Interest that may have been transferred will be allocated between the transferor and the transferee based on the portion of the calendar year during which each was recognized as owning that Membership Interest, without regard to the results of Company operations during any particular portion of that calendar year and without regard to whether cash distributions were made to the transferor or the transferee during that calendar year; provided, however, that this allocation must be made in accordance with a method permissible under Section 706 of the Code and the regulations thereunder.

(c) In the event any Member unexpectedly receives any adjustments, allocations or distributions described in Section 1.704-1 (b)(2)(ii)(d)(4), (5) or (6) of the Treas. Regs, items of the Company's income and gain will be specially allocated as a qualified income offset to each such Member in an amount and manner sufficient to eliminate, to the extent required by the Treas. Regs the Adjusted Capital Account Deficit of such Member as quickly as possible, provided that an allocation pursuant to this Section 5.01(c) will be made only if and to the extent that such Member has an Adjusted Capital Account Deficit after all other allocations provided for in this Article 5.01 have been tentatively made as if this Section 5.01(c) were not in these Regulations.

5.02 Distributions.

(a) From time to time (but at least once each calendar quarter) the Member will

determine in their reasonable judgment to what extent (if any) the Company's cash on hand exceeds its current and anticipated needs, including, without limitation, for operating expenses, debt service, acquisitions, and a reasonable contingency reserve. If such an excess exists, the Member will cause the Company to distribute to the Members, in accordance with their Sharing Ratios, an amount in cash equal to that excess.

(b) From time to time the Member also may cause property of the Company other than cash to be distributed to the Members, which distribution must be made in accordance with their Sharing Ratios and may be made subject to existing liabilities and obligations. Immediately prior to such a distribution, the capital accounts of the Members will be adjusted as provided in Treas. Reg. § 1.704-1(b)(2)(iv)(f).

ARTICLE VI: MEMBER

6.01 Management by Member.

(a) Except for situations in which the approval of the Members is required by these Regulations or by nonwaivable provisions of applicable law, and subject to the provisions of Section 6.02, (i) the powers of the Company will be exercised by or under the authority of, and the business and affairs of the Company will be managed under the direction of, the Member; and (ii) the Member may make all decisions and take all actions for the Company not otherwise provided for in these Regulations, including, without limitation, the following:

- (i) entering into, making, and performing contracts, agreements, and other undertakings binding the Company that may be necessary, appropriate, or advisable in furtherance of the purposes of the Company and making all decisions and waivers thereunder;
- (ii) opening and maintaining bank and investment accounts and arrangements, drawing checks and other orders for the payment of money, and designating individuals with authority to sign or give instructions with respect to those accounts and arrangements;
- (iii) maintaining the assets of the Company in good order;
- (iv) collecting sums due the Company;
- (v) to the extent that funds of the Company are available therefor, paying debts and obligations of the Company;
- (vi) acquiring, utilizing for Company purposes, and Disposing of any asset of the Company;
- (vii) borrowing money or otherwise committing the credit of the Company for Company activities and voluntary prepayments or extensions of debt;
- (viii) selecting, removing, and changing the authority and responsibility of lawyers, accountants, and other advisers and consultants;
- (ix) obtaining insurance for the Company;
- (x) determining distributions of Company cash and other property as provided in Section 5.02;
- (xi) establishing a seal for the Company; and

(b) Notwithstanding the provisions of Section 6.01(a), the Member may not cause the Company to do any of the following without complying with the applicable requirements set forth below:

- (i) sell, lease, exchange or otherwise dispose of (other than by way of a pledge, mortgage, deed of trust or trust indenture) all or substantially all the Company's property and assets (with or without good will), other than in the usual and regular course of the Company's business, without complying with the applicable procedures set forth in the Act and the TBCA, including, without limitation, the requirement in Article 5.10 of the TBCA regarding approval by the Members (unless such provision is rendered inapplicable by another provision of applicable law); or
- (ii) be a party to (A) a merger, or (B) an exchange or acquisition of the type described in Article 10.06 of the Act, without complying with the applicable procedures set forth in the Act.

6.02 Actions by Member, Committee, Delegation of Authority and Duties.

(a) In managing the business and affairs of the Company and exercising its powers, the Member will act

- (i) collectively through meetings and written consents pursuant to Article VII;
- (ii) through committees pursuant to Section 6.02(b); and
- (iii) through the Director or Officer Member to whom authority and duties have been delegated pursuant to Section 6.02(c).

(b) The Member may, from time to time, designate one or more committees, each of which will be comprised of one or more of its directors. Any such committee, to the extent provided in such resolution or in the certificate of formation or these Regulations, will have and may exercise all of the authority of the Member, subject to the limitations set forth in the BOC, the Act and the TBCA. At every meeting of any such committee, the presence of a majority of all the members thereof will constitute a quorum, and the affirmative vote of a majority of the members present will be necessary for the adoption of any resolution. The Member may dissolve any committee at any time, unless otherwise provided in the certificate of formation or these regulations.

(c) The Member may, from time to time, delegate to one or more Directors or Officers such authority and duties as the Member may deem advisable. In addition, the Member may assign titles (including, without limitation, president, vice president, secretary, assistant secretary, treasurer, and assistant treasurer) to any such Director or Officer. Unless the Member decides otherwise, if the title is one commonly used for officers of a business corporation formed under the TBCA, the assignment of such title will constitute the delegation to such Manager of the authority and duties that are normally associated with that office, subject to any specific delegation of authority and duties made pursuant to the first sentence of this Section 6.02(c). Any number of titles may be held by the same Manager. Any delegation pursuant to this Section 6.02(c) may be revoked at any time by the Member.

(d) Any Person dealing with the Company, other than a Member, may rely on the authority of any Manager or officer in taking any action in the name of the Company without inquiry into the provisions of these Regulations or compliance herewith, regardless of whether

that action actually is taken in accordance with the provision of these Regulations.

6.03 Number and Term of Office. The number of members of the Company will be determined from time to time by resolution of the Member; provided, however, that no decrease in the number of Member that would have the effect of shortening the term of an incumbent Manager may be made by the Member. If the Member make no such determination, the number of Member will be the number set forth in the Certificate of Formation as the number of Member constituting the initial Member. Each Manager will hold office for the term for which he is elected and thereafter until his successor will have been elected and qualified, or until his earlier death, resignation, or removal. Unless otherwise provided in the Certificate of Formation, Member need not be Members or residents of the State of Texas.

6.04 Classification of Member. The number of classes of Member may be determined from time to time, each of which to be the number and term of each class to be determined at such time of their creation, at a meeting of Members. The whole number of Member of the Company need not be elected annually or at any scheduled meeting of the Members. At each meeting at which the Member are to be elected, the number of Member equal to the number of classes whose term expires at the time of such meeting will be elected to hold office until the next succeeding meeting at which the successors to be Member are to be elected.

6.05 Vacancies; Removal; Resignation. Any Manager position to be filled by reason of an increase in the number of Member or other reason may be filled by election at an annual or special meeting of Members called for that purpose. A Manager elected to fill a vacancy occurring other than by reason of an increase in the number of Member will be elected for the unexpired term of his predecessor in office. At any meeting of Members at which a quorum of Members is present called expressly for that purpose, or pursuant to a written consent adopted pursuant to these Regulations, any Manager may be removed, with or without cause, by a Required Interest. Any Manager may resign at any time. Such resignation will be made in writing and will take effect at the time specified therein, or if no time be specified, at the time of its receipt by the remaining Member. The acceptance of a resignation will not be necessary to make it effective, unless expressly so provided in the resignation Meetings.

(a) Unless otherwise required by law or provided in the Certificate of Formation or these Regulations, a majority of the total number the directors of the-Sole Member fixed by, or in the manner provided in, the Certificate of Formation or these Regulations will constitute a quorum for the transaction of business of the Member, and the act of a majority of the directors of the Sole Member present at a meeting at which a quorum is present will be the act of the Member.

(b) Meetings of the Member may be held at such place or places as will be determined from time to time by resolution of the Member. At all meetings of the Member, business will be transacted in such order as will from time to time be determined by resolution of the Member. In connection with any annual meeting of Members at which Member were elected, the Member may, if a quorum is present, hold its first meeting for the transaction of business immediately after and at the same place as such annual meeting of the Members. Notice of such meeting at such time and place will not be required.

(c) Regular meetings of the Member will be held at such times and places as will be designated from time to time by resolution of the Member. Notice of such regular meetings will not be required.

(d) Special meetings of the Member may be called by any Manager on at least 24 hours' notice to each other Manager. Such notice need not state the purpose or purposes of, nor the business to be transacted at, such meeting, except as may otherwise be required by law or provided for by the Certificate of Formation or these Regulations.

6.06 Approval or Ratification of Acts or Contracts by Members. The Member in their discretion may submit any act or contract for approval or ratification at any annual meeting of the Members, or at any special meeting of the Members called for the purpose of considering any such act or contract, and any act or contract that will be approved or be ratified by a Required Interest will be as valid and as binding upon the Company and upon all the Members as if it will have been approved or ratified by every Member of the Company.

6.07 [Reserved]

6.08 Compensation. The Member will receive such compensation, if any, for its services as may be designated from time to time by the Member. In addition, the Member will be entitled to be reimbursed for out-of-pocket costs and expenses incurred in the course of its service hereunder, including the portion of their overhead reasonably allocable to Company activities.

6.10 Conflicts of Interest. Subject to the other express provisions of these Regulations, each Manager, Member, and officer of the Company at any time may engage in and possess interests in other business ventures of any and every type and description, independently or with others, including ones in competition with the Company, with no obligation to offer to the Company or any other Member, Manager, or officer the right to participate therein. The Company may transact business with any Manager, Member, officer, or Affiliate thereof, provided the terms of those transactions are no less favorable than those the Company could obtain from unrelated third parties.

6.11 Officers.

(a) The Member may, from time to time, designate one or more Persons to be officers of the Company. No officer need be a resident of the State of Texas, a Member, or a Manager. Any officers so designated will have such authority and perform such duties as the Member may, from time to time, delegate to them. The Member may assign titles to particular officers. Unless the Member decide otherwise, if the title is one commonly used for officers of a business corporation formed under the TBCA, the assignment of such title will constitute the delegation to such officer of the authority and duties that are normally associated with that office, subject to (i) any specific delegation of authority and duties made to such officer by the Member pursuant to the third sentence of this Section 6.011(a), or (ii) any delegation of authority and duties made to one or more Member pursuant to Section 6.02(c). Each officer will hold office until his successor

will be duly designated and will qualify or until his death or until he will resign or will have been removed in the manner hereinafter provided. Any number of offices may be held by the Person. The salaries or other compensation, if any, of the officers and agents of the Company will be fixed from time to time by the Member.

(b) Any officer may resign as such at any time. Such resignation will be made in writing and will take effect at the time specified therein, or if no time be specified, at the time of its receipt by the Member. The acceptance of a resignation will not be necessary to make it effective, unless expressly so provided in the resignation. Any officer may be removed as such, either with or without cause, by the Member whenever in their judgment the best interests of the Company will be served thereby; provided, however, that such removal will be without prejudice to the contract rights, if any, of the Person so removed. Designation of an officer will not of itself create contract rights. Any vacancy occurring in any office of the Company (other than Manager) may be filled by the Member.

(c) The Executive Director & Secretary of the Company will be the Executive Director & Secretary of the Sole Member.

ARTICLE VII: MEETING OF MEMBER

7.01 Meetings.

(a) A quorum will be present at a meeting of the Sole Member if the holders of a Required Interest are represented at the meeting in person. With respect to any matter, other than a matter for which the affirmative vote of the holders of a specified portion of the Sharing Ratios of all Members entitled to vote is required by the Act or these Regulations, the affirmative vote of a Required Interest at a meeting of Members at which a quorum is present will be the act of the Members.

(b) All meetings of the Members will be held at the principal place of business of the Company or at such other place within or without the State of Texas as will be specified or fixed in the notices or waivers of notice thereof.

(c) Notwithstanding the other provisions of the Certificate of Formation or these Regulations, the chairman of the meeting or the holders of a Required Interest will have the power to adjourn such meeting from time to time, without any notice other than announcement at the

meeting of the time and place of the holding of the adjourned meeting. If such meeting is adjourned by the Members, such time and place will be determined by a vote of the holders of a Required Interest. Upon the resumption of such adjourned meeting, any business may be transacted that might have been transacted at the meeting as originally called.

(d) An annual meeting of the Members, for the election of the Member and for the transaction of such other business as may properly come before the meeting, will be held at such place, within or without the State of Texas, on such date and at such time as the Member will fix and set forth in the notice of the meeting, which date will be within thirteen months subsequent

to the date of organization of the Company or the last annual meeting of Members, whichever most recently occurred.

(e) Special meetings of the Members for any proper purpose or purposes may be called at any time by the Member or the holders of at least ten percent of the Sharing Ratios of all Members. If not otherwise stated in or fixed in accordance with the remaining provisions hereof, the record date for determining Members entitled to call a special meeting is the date any Member first signs the notice of that meeting. Only business within the purpose or purposes described in the notice (or waiver thereof) required by these Regulations may be conducted at a special meeting of the Members.

(f) Written or printed notice stating the place, day, and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, will be delivered not less than ten nor more than sixty days before the date of the meeting, either personally or by mail, by or at the direction of the Member or Person calling the meeting, to each Member entitled to vote at such meeting. If mailed, any such notice will be deemed to be delivered when deposited in the United States mail, addressed to the Member at his address provided for in Section 13.02, with postage thereon prepaid.

(g) The date on which notice of a meeting of Members is mailed or the date on which the resolution of the Member declaring a distribution is adopted, as the case may be, will be the record date for the determination of the Members entitled to notice of or to vote at such meeting, including any adjournment thereof, or the Members entitled to receive such distribution.

(h) The right of Members to cumulative voting in the election of Member is expressly prohibited.

7.02 Voting List. The Member will make, at least ten days before each meeting of Members, a complete list of the Members entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the Sharing Ratios held by each, which list, for a period of ten days prior to such meeting, will be kept on file at the registered office or principal place of business of the Company and will be subject to inspection by any Member at any time during usual business hours. Such list will also be produced and kept open at the time and place of the meeting and will be subject to the inspection of any Member during the whole time of the meeting. The original membership records will be prima-facie evidence as to who are the Members entitled to examine such list or transfer records or to vote at any meeting of Members. Failure to comply with the requirements of this Section will not affect the validity of any action taken at the meeting.

7.03 [Reserved].

7.04 Conduct of Meetings. All meetings of the Members will be presided over by the chairman of the meeting, who will be a Manager (or representative thereof) designated by a majority of the

Member. The chairman of any meeting of Members will determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him in order.

7.05 [Reserved]

7.06 Member's Consent Required. Consent of a majority of Members is required, in accordance with Article 2.23(D) of the Act, to: (a) change the status of the Company from one which management is vested in one or more Members, or vice versa; (b) issue any additional Membership Interests in the Company subsequent to the issuance of Membership Interests to the initial Members of the Company; (c) approve any merger, conversion, share or interest exchange, or other transaction authorized by or subject to provisions of Part Ten of the Act; (d) voluntarily cause the dissolution of the Company; (e) authorize any transaction, agreement, or action on behalf of the Company that is unrelated to its purpose as set forth in the Regulations or Certificate of Formation or that otherwise contravenes these Regulations; or (f) authorize any act that would make it impossible to carry on the ordinary business of the Company.

Pursuant to Article 2.23(G) and (H) of the Act, consent of all of the Members is required to amend the Certificate of Formation if any capital has been paid into the Company. If no capital has been paid into the Company, a majority of the Members or Member may amend the Certificate of Formation.

7.07 Classes of Members; Voting. At an annual or special meeting called for that purpose, the Members may from time to time establish classes or groups of Members. One or more of the Members' groups or classes may have certain expressed relative rights, powers, and duties, including voting rights, to be established at the time when the classes or groups are created, with seniority granted to one or more class or group as designated by the Members.

ARTICLE VIII: INDEMNIFICATION

8.01 Right to Indemnification. Subject to the limitations and conditions as provided in this Article VIII, each Person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrate or investigative (hereinafter a "Proceeding"), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding, by reason of the fact that he or she, or a Person of whom he or she is the legal representative, is or was a Manager of the Company or while a Manager of the Company is or was serving at the request of the Company as a Manager, director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise will be indemnified by the Company to the fullest extent permitted by the Act and the TBCA, as the same exist or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment) against judgments, penalties (including excise and similar taxes

and punitive damages), fines, settlements, and reasonable expenses (including, without limitation; attorney's fees) actually incurred by such Person in connection with such Proceeding, and indemnification under this Article VIII will continue as to a Person who has ceased to serve in the capacity which initially entitled such Person to indemnity hereunder. The rights granted pursuant to this Article VIII will be deemed contract rights, and no amendments, modification or repeal of this Article VIII will have the effect of limiting or denying any such rights with respect to actions taken or Proceeding arising prior to any such amendment, modification, or repeal. It is expressly acknowledged that the indemnification provided in this Article VIII could involve indemnification for negligence or under theories of strict liability.

8.02 Advance Payment. The right to indemnification conferred in this Article VIII will include the right to be paid or reimbursed by the Company the reasonable expenses incurred by a Person of the type entitled to be indemnified under Section 8.01 who was, is or is threatened to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding and without any determination as to the Person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such Person in advance of the final disposition of a Proceeding, will be made only upon delivery to the Company of a written affirmation by such person of his or her good faith belief that he has met the standard of conduct necessary for indemnification under this Article VIII and a written undertaking, by or on behalf of such Person, to repay all amounts so advanced if it will ultimately be determined that such indemnified Person is not entitled to be indemnified under this Article VIII or otherwise.

8.03 Indemnification of Officers, Employees and Agents. The Company, by adoption of a resolution of the Member, may indemnify and advance expenses to an officer, employee, or agent of the Company to the same extent and subject to the same conditions under which it may indemnify and advance expenses to Member under this Article VIII; and, the Company may indemnify and advance expenses to Persons who are not or were not Members, officers, employees, or agents of the Company but who are or were serving at the request of the Company as a Manager, director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in such a capacity or arising out of his status as such a Person to the same extent that it may indemnify and advance expenses to Member under this Article VIII.

8.04 Appearance as a Witness. Notwithstanding any other provision of this Article VIII, the Company may pay or reimburse expenses incurred by a Manager in connection with his appearance as a witness or other participation in a Proceeding at a time when he is not a named defendant or respondent in the Proceeding.

8.05 Non-exclusivity of Rights. The right to indemnification and the advancement and payment of expenses conferred in this Article VIII will not be exclusive of any other right which a Manager or other Person indemnified pursuant to Section 8.03 may have or hereafter acquire under any law (common or statutory), provision of the Certificate of Formation or these Regulations, agreement, vote of disinterested Member or otherwise.

8.06 Insurance. The Company may purchase and maintain insurance, at its expense, to protect itself and any Person who is or was serving as a Manager, officer, employee or agent of the Company or is or was serving at the request-of the Company as a Manager, director, officer,-- partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any expense, liability or loss, whether or not the Company would have the power to indemnify such Person against such expense, liability or loss under this Article VIII.

8.07 Member Notification. To the extent required by law, any indemnification of or advance of expenses to a Manager in accordance with this Article VIII will be reported in writing to the Members with or before the notice or waiver of notice of the next Members' meeting or with or before the next submission to Members of a consent to action without a meeting and, in any case, within the twelve month period immediately following the date of the indemnification or advance.

8.08 Savings Clause. If this Article VIII or any portion hereof will be invalidated on any ground by any court of competent jurisdiction, then the Company will nevertheless indemnify and hold harmless each Manager or any other Person indemnified pursuant to this Article VIII as to costs, charges, and expenses (including attorney's fees), judgments, fines and amounts paid in settlement with respect to any action, suit or Proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article VIII that will not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE IX: TAXES

9.01 Tax Returns. The Member will cause to be prepared and filed all necessary federal and state income tax returns for the Company, including making the elections described in Section 9.02. Each Member will furnish to the Member all pertinent information in its possession relating to Company operations that is necessary to enable the Company's income tax returns to be prepared and filed.

9.02 Tax Elections. The Company will make the following elections on the appropriate tax returns:

- (a) to adopt the Company's fiscal year as _____.
- (b) to adopt the cash method of accounting for keeping the Company's books and records;
- (c) if a distribution of Company property as described in Section 734 of the Code occurs or if a transfer of a Membership Interest as described in Section 743 of the Code occurs, on written request of any Member, to elect, pursuant to Section 754 of the Code, to adjust the basis of Company properties;
- (d) to elect to amortize the organizational expenses of the Company and the startup expenditures of the Company under Section 195 of the Code ratably over a period of sixty months as permitted by Section 709(b) of the Code; and

(e) any other election the Member may deem appropriate and in the best interest of the Members.

Neither the Company-nor any Manager or Member may make an election for the company to be excluded from the application of the provisions of subchapter K of chapter 1 subtitle A of the Code or any similar provisions of applicable state law, and no provision of these Regulations (including, without limitation, Section 2.08) will be construed to sanction or approve such an election.

9.03 "Tax Matters Partner." A majority of the Member will designate one Manager to be the "tax matters partner" of the Company pursuant to Section 6231 (a)(7) of the Code. Any Manager who is designated "tax matters partner" will take such action as may be necessary to cause each Member to become a "notice partner" within the meaning of Section 6223 of the Code. Any Manager who is designated "tax matters partner" will inform each Member of all significant matters that may come to its attention in its capacity as "tax matters partner" by giving notice thereof on or before the fifth Business Day after becoming aware thereof and, within that time, will forward to each Member copies of all significant written communications it may receive in that capacity. Any Manager who is designated "tax matters partner" may not take action contemplated by Section 6222 through 6232 of the Code without the consent of a Required Interest, but this sentence does not authorize such Manager (or any other Manager) to take any action left to the determination of a Member under Sections 6222 through 6232 of the Code.

ARTICLE X: BOOKS, RECORDS, REPORTS, AND BANK ACCOUNTS

10.01 Maintenance of Books. The Company will keep books and records of accounts and will keep minutes of the proceedings of its Member and each committee of the Member. The books of account for the Company will be maintained on a cash basis in accordance with the terms of these Regulations, except that the capital accounts of the Member will be maintained in accordance with Section 4.06. The calendar year will be the accounting year of the Company.

10.02 Accounts. The Member will establish and maintain one or more separate bank and investment accounts and arrangements for Company funds in the Company name with financial institutions and firms that the Member determines. The Member may not commingle the company's funds with the funds of any Member; however, Company funds may be invested in a manner the same as or similar to the Member's investment of their own funds or investments by their Affiliates.

ARTICLE XI: BANKRUPTCY OF A MEMBER

11.01 Bankrupt Members. Subject to Section 12.01(b), if any Member becomes a Bankrupt Member, the Company will have the option, exercisable by notice from the Member to the Bankrupt Member (or its representative) at any time prior to the 180th day after receipt of notice of the occurrence of the event causing it to become a Bankrupt Member, to buy, and on the exercise of this

option the Bankrupt Member or its representative will sell, its Membership Interest. The purchase price will be an amount equal to the fair market value thereof determined by agreement by the Bankrupt Member (or its representative) and the Member; however, if those Persons do not agree on the fair market value on or before the thirtieth day following the exercise of the option, either such Person by notice to the other, may require the determination of fair market value to be made by an independent appraiser specified in that notice. If the Person receiving that notice objects on or before the tenth day following receipt to the independent appraiser designated in that notice, and those Persons otherwise fail to agree on an independent appraiser, either such Person may petition the United States District Judge who is then senior in service, for the District and Division in which the registered office is located, to designate an independent appraiser. The determination of the independent appraiser, however designated, is final and binding on all parties. The Bankrupt Member and the Company each will pay one-half of the costs of the appraisal. The purchaser will pay the fair market value as so determined in four equal cash installments, the first due on closing and the remainder (together with accumulated interest on the amount unpaid at the General Interest Rate) due on each of the first three anniversaries thereof. The payment to be made to the Bankrupt Member or its representative pursuant to this Section 11.01 is in complete liquidation and satisfaction of all the rights and interest of the Bankrupt Member and its representative (and of all Persons claiming by, through, or under the Bankrupt Member and its representative) in and in respect of the Company, including, without limitation, any Membership Interest, any rights in specific Company property, and any rights against the Company and (insofar as the affairs of the Company are concerned) against the Members, and constitutes a compromise to which all Members have agreed pursuant to Article 5.02(D) of the Act.

ARTICLE XII: DISSOLUTION, LIQUIDATION, AND TERMINATION

12.01 Dissolution. The Company will dissolve and its affairs will be wound up on the first to occur of the following:

- (a) the written consent of a Required Interest; and entry of a decree of judicial dissolution of the Company under Article 6.02 of the Act;
- (b) by the act of the Member, if no capital has been paid into the Company.

Except as provided in Section 12.01(b), the death, expulsion, withdrawal, bankruptcy, or dissolution of the Member, or the occurrence of any other event that terminates the continued membership of the Member in the Company, will not cause a dissolution of the Company.

12.02 Purchase of Former Member's Membership Interest.

- (a) Upon events of Section 12.01, excluding Article XI, the Company's books will be closed upon the date of the dissolution event, so as to determine the Former Member's Membership Interest value on the date ending all of the Former Member's financial interest in the Company.
- (b) The Company will purchase the Membership Interest at its fair market value thereof, considering the valuation of Membership Interest in Section 12.02(b), as agreed upon the Former Member or its successor in interest and the Member. If these parties cannot agree on the fair market value on or before the thirtieth day following the exercise of the option, either such

Person, by notice to the other, may require the determination of fair market value to be made by an independent appraiser specified in that notice. If the Person receiving that notice objects on or before the tenth day following receipt to the independent appraiser designated in that notice, and those Persons otherwise fail to agree on an independent appraiser, either such Person may petition the United States District Judge who is then senior in service, for the District and Division in which the registered office is located, to designate an independent appraiser. The determination of the independent appraiser, however designated, is final and binding on all parties. The Former Member or its successor and the Company each will pay one-half of the costs of the appraisal. The purchaser will pay the fair market value as so determined in four equal cash installments, the first due on closing and the remainder (together with accumulated interest on the amount unpaid at the General Interest Rate) due on each of the first three anniversaries thereof. The payment to be made to the Former Member or its successor in interest pursuant to this Section 12.01 is in complete liquidation and satisfaction of all the rights and interest of the Former Member or its successor in interest in and in respect of the Company, including, without limitation, any Membership Interest, any rights in specific Company property, and any rights against the Company and (insofar as the affairs of the Company are concerned) against the Members, and constitutes a compromise to which all Members have agreed pursuant to Article 5.02(D) of the Act.

12.03 Liquidation and Termination. On dissolution of the Company, the Member will act as liquidator or may appoint one or more Members as liquidator. The liquidator will proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the

Act. The costs of liquidation will be borne as a Company expense. Until final distribution, the liquidator will continue to operate the Company properties with all of the power and authority of the Member. The steps to be accomplished by the liquidator are as follows:

(a) as promptly as possible after dissolution and again after final liquidation, the liquidator will cause a proper accounting to be made by a recognized firm of certified public accountants of the Company's assets, liabilities, and operations through the last day of the calendar month in which the dissolution occurs or the final liquidation is completed, as applicable;

(b) the liquidator will cause the notice described in Article 6.05(A)(2) of the Act to be mailed to each known creditor of and claimant against the Company in the manner described in such Article 6.05(A)(2);

(c) the liquidator will pay, satisfy, or discharge from Company funds all of the debts, liabilities, and obligations of the Company (including, without limitation, all expenses incurred in liquidation and any advances described in Section 4.05) or otherwise make adequate provision for payment and discharge thereof (including, without limitation, the establishment of a cash escrow fund for contingent liabilities in such amount and for such term as the liquidator may reasonably determine); and

(d) all remaining assets of the Company will be distributed to the Members as follows:

(i) the liquidator may sell any or all Company property, including to Members, and any resulting gain or loss from each sale will be computed and allocated to the capital accounts of the Members;

(ii) with respect to all Company property that has not been sold, the fair market value of that property will be determined and the capital accounts of the Members will be adjusted to reflect the manner in which the unrealized income, gain, loss, and deduction inherent in property that has not been reflected in the capital accounts previously would be allocated among the Members if there were a taxable disposition of that property for the fair market value of that property on the date of distribution; and

(iii) Company property will be distributed among the Members in accordance with the positive capital account balances of the Members, as determined after taking into account all capital account adjustments for the taxable year of the Company during which the liquidation of the company occurs (other than those made by reason of this clause (iii)); and those distributions will be made by the end of the taxable year of the Company during which the liquidation of the Company occurs (or, if later, ninety days after the date of liquidation).

All distributions in kind to the Members will be made subject to the liability of each distributee for costs, expenses, and liabilities theretofore incurred or for which the Company has committed prior to the date of termination and those costs, expenses, and liabilities will be allocated to the distributee pursuant to this Section 12.03. Upon completion of all distributions to the Member, such distribution will constitute a complete return to the Member of its Capital Contributions and release all claims against the Company and will constitute a compromise to which all Members have consented within the meaning of Article 5.02(D) of the Act. To the extent that a Member returns funds to the Company, it has no claim against any other Member for those funds.

12.04 Deficit Capital Accounts. Notwithstanding anything to the contrary contained in these Regulations, and notwithstanding any custom or rule of law to the contrary, to the extent that the deficit, if any, in the capital account of any Member results from or is attributable to deductions and losses of the Company (including non-cash items such as depreciation), or distributions of money pursuant to these Regulations to all Members in proportion to their respective Sharing Ratios, upon dissolution of the Company such deficit will not be an asset of the Company and such Members will not be obligated to contribute such amount to the Company to bring the balance of such Member's capital account to zero.

12.05 Articles of Dissolution. On completion of the distribution of Company assets as provided herein, the Company is terminated, and the Member (or such other Person or Persons as the Act may require or permit) will file Articles of Dissolution pursuant to Articles 6.07 and 6.08 of the Act with the Secretary of State of Texas along with a certificate from the comptroller that all franchise taxes have been paid, cancel any other filings made pursuant to Section 2.05, and take such other actions as may be necessary to terminate the Company.

ARTICLE XIII: GENERAL PROVISIONS

13.01 Offset. Whenever the Company is to pay any sum to any Member, any amounts that Member owes the Company may be deducted from that sum before payment.

13.02 Notices. Except as expressly set forth to the contrary in these Regulations, all notices, requests, or consents provided for or permitted to be given under these Regulations must be in writing and must be given either by depositing that writing in the United States mail, addressed to the recipient, postage paid, and registered or certified with return receipt requested or by delivering that writing to the recipient in person, by courier, or by facsimile transmission; and a notice, request, or consent given under these Regulations is effective on receipt by the Person to receive it. All notices, requests, and consents to be sent to a Member must be sent to or made at the addresses given for that Member on Exhibit A or in the instrument described in Section 3.03(c) or 3.04, or such other address as that Member may specify by notice to the other Members. Any notice, request, or consent to the Company or the Member must be given to the Member at the following address: 1110 Broadway, Marble Falls, Texas 78654. Whenever any notice is required to be given by law, the Certificate of Formation or these Regulations, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, will be deemed equivalent to the giving of such notice.

13.03 Entire Agreement; Supersedes Other Agreements. These Regulations include the entire agreement of the Members and their Affiliates relating to the Company and supersedes all prior contracts or agreements with respect to the Company, whether oral or written.

13.04 Effect of Waiver or Consent. A waiver or consent, express or implied, to or of any breach or default by any Person in the performance by that Person of its obligations with respect to the Company is not a consent or waiver to or of any other breach or default in the performance by that Person of the same or any other obligations of that Person with respect to the Company. Failure on the part of a Person to complain of any act of any Person or to declare any Person in default with respect to the Company, irrespective of how long that failure continues, does not constitute a waiver by that Person of its rights with respect to that default until the applicable statute-of-limitations period has run.

13.05 Amendment or Modification. These Regulations may be amended or modified from time to time only by a written instrument adopted by the Member and executed and agreed to by a Required Interest; provided, however, that (a) an amendment or modification reducing a Member's Sharing Ratio or increasing its Commitment (other than to reflect changes otherwise provided by these Regulations) is effective only with that Member's consent, (b) an amendment or modification reducing the required Sharing Ratio or other measure for any consent or vote in these Regulations is effective only with the consent or vote of Members having the Sharing Ratio or other measure theretofore required, and (c) amendments of the type described in Section 3.04 may be adopted as herein provided, (d) amendments to establish the relative rights and preferences of the Membership Interests of any class or series may be made by a committee of Member, within the authority of Member or otherwise provided in the Certificate of Formation, the BOC, the Act, or resolutions by Members forming the committee.

13.06 Binding Effect. Subject to the restrictions on Dispositions set forth in these Regulations, these Regulations are binding on and inure to the benefit of the Members and their respective heirs, legal representatives, successors, and assigns.

13.07 Governing Law; Severability. THESE REGULATIONS ARE GOVERNED BY AND

WILL BE CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICT-OF-LAWS RULE OR PRINCIPLE THAT MIGHT REFER THE GOVERNANCE OR THE CONSTRUCTION OF THESE REGULATIONS TO THE LAW OF ANOTHER JURISDICTION. In the event of a direct conflict between the provisions of these Regulations and (a) any provision of the Certificate of Formation, or (b) any mandatory provision of the BOC, the Act or (to the extent such statutes are incorporated into the Act) the TBCA or the Texas Miscellaneous Corporation Laws Act, the application provision of the Certificate of Formation, the BOC, the Act, the TBCA or the Texas Miscellaneous Corporation Laws Act will control. If any provision of these Regulations or the application thereof to any Person or circumstance is held invalid or unenforceable to any extent, the remainder of these Regulations and the application of that provision to other Persons or circumstances is not affected thereby and that provision will be enforced to the greatest extent permitted by law.

13.08 Further Assurances. In connection with these Regulations and the transactions contemplated hereby, each Member will execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of these Regulations and those transactions.

13.09 Waiver of Certain Rights. Each Member irrevocably waives any right it may have to maintain any action for dissolution of the Company or for partition of the property of the Company.

13.10 Indemnification. To the fullest extent permitted by law, each Member will indemnify the Company, each Manager and each other Member and hold them harmless from and against all losses, costs, liabilities, damages, and expenses (including, without limitation, costs of suit and attorney's fees) they may incur on account of any breach by that Member of these Regulations.

13.11 Notice to Members of Provisions of this Agreement. By executing these Regulations, each Member acknowledges that it has actual notice of (a) all of the provisions of this agreement, including, without limitation, the restrictions on the transfer of Membership Interests set forth in Article III, and (b) all of the provisions of the Certificate of Formation, including, without limitation, the fact that the Certificate of Formation provide that no Member will have the preemptive right to acquire any Membership Interests or securities of any class that may at any time be issued, sold or offered for sale by the Company. Except as otherwise expressly provided by law, each Member hereby agrees that these Regulations constitute adequate notice of all such provisions, including, without limitation, any notice requirement under Article 2.19(D) of the TBCA and Chapter 8 of the Texas Uniform Commercial Code, and each Member hereby waives any requirement that any further notice thereunder be given.

13.12 Counterparts. These Regulations may be executed in any number of counterparts with the same effect as if all signing parties had signed the same instrument. Following the adoption of these Regulations for the Company by the Sole Member, the Member has executed these Regulations effective August ___, 2024.

[Signature Page Follows]

MEMBER:

By: Manor Housing Public Facility Corporation

By Dr. Christopher Harvey
President

Attest:

By Lluvia Almaraz
Secretary

CERTIFICATION

I HEREBY CERTIFY that I am the current acting President of the Board of Directors of the Manor Housing Public Facility Corporation, sole managing member of MHPFC TRGP1, LLC, these twenty-eight (28) pages are a full, true and correct copy of the Regulations as adopted by the Corporation's Board of Directors and approved by the Board of Commissioners of the Texas Housing Foundation on August 1, 2024.

By Dr. Christopher Harvey
President

Attest:

By Lluvia Almaraz
Secretary