

BYLAWS
OF
SANDY COVE RANCH COMMUNITY ASSOCIATION, INC.

ARTICLE I
Name and Address; General Information

Section 1.1 Name. The name of this association shall be **SANDY COVE RANCH COMMUNITY ASSOCIATION, INC.** (the "Association").

Section 1.2 Property. These Bylaws provide for the governance of Sandy Cove Ranch on Richland Chambers Lake, a planned community in Navarro County, Texas, according to the plat thereof recorded in the Map and Plat Records, Navarro County, Texas (the "Property").

Section 1.3 Declaration. The Property is subject to that certain "Declaration of Covenants, Conditions, Restrictions, Easements, Charges and Liens – Sandy Cove Ranch on Richland Chambers Lake" recorded in the Records.

Section 1.4 Definitions. Capitalized terms used but not otherwise defined herein shall have the meaning given such terms in the Declaration.

Section 1.5 Address. The office of the Association shall be at the place to be designated by the Board, subject to transfer upon notice to the Members of the Association.

Section 1.6 Registered Agent. The Association shall have and continuously maintain in the State of Texas a registered agent whose office is identical with such registered office, as required by the TBOC. The registered office may be, but need not be, identical to the principal office in the State of Texas, and the registered office may be changed from time to time by the Board.

ARTICLE II
Applicability

These Bylaws shall be applicable to the Association and shall be subject to the terms of the Declaration, including Declarant's rights thereunder. In accordance with the terms of the Declaration, Declarant (for such time as Declarant is the owner of any portion of the Addition), and all present and future Owners shall be Members of the Association and all Owners and any other persons permitted to use the Common Properties shall be subject to the Declaration, these Bylaws and to any Rules adopted from time to time by the Board. Ownership of any Lot, or rental or occupancy of any portion of a Lot, in the Addition shall be conclusively deemed to mean that such Owner or Resident has accepted, ratified and will comply with these Bylaws, the Declaration and the Rules, if any, as well as with any other Governing Documents.

ARTICLE III

Purpose

The purpose of the Association is to manage, or cause the management of, the Addition, to protect and enhance the value of the Addition, including, without limitation, providing for the management, maintenance, repair and replacement of the Common Properties. The Association does not contemplate pecuniary gain or profit to its Members as a result of membership in the Association.

ARTICLE IV

Definitions and Interpretation

Section 4.1 Definitions. The following terms shall have the meanings set forth below:

"Act" means the Texas Property Code, as amended from time to time.

"Code" means the Internal Revenue Code of 1986, as amended.

"Common Expenses" means all costs and expenses, reserves or financial liabilities of the Association that are incurred pursuant to the provisions of the Declaration, these Bylaws or a resolution duly adopted by the Board or the Owners, or other Governing Documents.

"First Lien Indebtedness" means any indebtedness secured by a first and prior lien or encumbrance upon an Owner's Lot.

"First Mortgagee" means any Person which is the holder, insurer or guarantor of First Lien Indebtedness which has provided the Association with written notice of its name, address and the description of the Owner's Lot on which it holds the First Lien Indebtedness.

"Minute Book" means the minute book of the Association, which shall contain the minutes of all annual and special meetings of the Association and the Board and all resolutions of the Board.

"Officer" means an officer of the Association.

"Rules" means rules and regulations of the Association, or resolutions of the Board, which may be adopted by the Board and established for, among other things, the administration of the Association and compliance with the Governing Documents; to enable the carrying out of the Association's powers and duties, including the maintenance, management, operation, use, conservation, beautification and occupancy of the Addition; and to generally provide for the health, comfort and general welfare of Owners and Residents, including matters relating to the appearance, use, and occupancy of the Addition, including exterior appearance, use and occupancy of the Lots, as may be amended from time to time.

Capitalized but undefined terms used herein shall have the meaning given such terms in the Declaration.

Section 4.2 Interpretation. In the event of a conflict of interpretation between the provisions set forth in these Bylaws and the Declaration, the Declaration shall govern. In the event that the Code is hereafter amended or changed, both the Declaration and these Bylaws shall be interpreted in a manner which conforms to the provisions of the Code with respect to nonprofit entities, it being the intention to preserve the status of the Association as a bona fide nonprofit entity.

ARTICLE V Member

Section 5.1 Membership.

(a) Each Owner shall automatically be a Member of the Association, and shall possess a vote with respect to each Lot owned by such Owner equal in right to such Owner's percentage ownership interest as set forth in the Declaration. All voting rights of an Owner may be suspended during any period that such Owner is delinquent in the payment of any Assessment or Charge duly established pursuant to the Declaration, or otherwise in default under the terms of the Declaration or any of the Governing Documents. Any matter described herein as requiring approval by a stated percentage or a majority of the Owners or Members shall mean Owners (who are then eligible to vote) of the stated percentage or majority of Lots.

(b) In cases where more than one Person owns an interest in a Lot, all such Persons shall arrange among themselves for one of their number to exercise the voting rights herein established. In no event shall there be more than one vote for any Lot. If only one of the Persons is present at a meeting of the Association, that Person may cast that Lot's vote. If more than one of the Persons is present and after one Person casts the vote, another Person present makes prompt protest to the person presiding over the meeting, such vote shall not be counted unless such Persons can unanimously agree on such vote by the end of the meeting. Each Person owning a portion of the fee interest in a Lot may vote or register protest to the casting of votes by the other Persons owning portions of the fee interest in the same Lot through a proxy duly executed by such Owner. If no protest is made immediately following the vote, the Association shall deem the vote to be valid and the person exercising the vote to be duly authorized. An Owner may not revoke a proxy except by giving actual notice of revocation to the person presiding over the meeting.

Section 5.2 Affirmative Vote. Except as otherwise provided herein, in the Declaration, or in the Act, the Owners shall be entitled to vote upon any decision or resolution and the majority of votes cast shall determine the passage of any decision or resolution. Directors shall be elected by a plurality of the votes cast by the Members entitled to vote in the election of Directors at a meeting of Members at which a quorum is present. A vote may be cast either in person or by proxy, by Members of record who are entitled to vote. Notice and quorum requirements shall be as set forth herein. Cumulative voting shall not be permitted. Any Member whose voting rights have been suspended under any provision of the Declaration shall not be entitled to vote.

Section 5.3 Membership List. The Secretary shall be responsible for maintaining, at the principal office of the Association, an updated list of Members and their last known

addresses as provided by each Member. The list shall also show opposite each Member's name the address of the Lot(s) owned and the interest allocated to such Lot pursuant to the Declaration. The list shall be revised by the Secretary to reflect changes in the ownership of Lots occurring prior to the date of the annual or special meeting. The list shall be open to inspection by all Members and other persons lawfully entitled to inspect the list during regular business hours up to the date of the annual or special meeting. The Secretary shall also keep current and retain custody of the Minute Book.

Section 5.4 Proxies. Votes may be cast by written proxy or by ballot. Written proxies may be submitted by United States mail, delivered to the office of the Association, delivered directly to the Secretary or delivered in such other manner as directed by the Association, including electronically if so directed. A proxy vote shall be defined as a written vote submitted by a Member which either states the specific vote of the Member with respect to the issues, resolutions or election being voted on by the Members at the annual or special meeting or which is written permission for the Board or a specific Director to exercise the Member's vote(s) as the Board or the specific Director sees fit. An Owner may not revoke a proxy except by giving actual notice of revocation to the person presiding over the meeting.

ARTICLE VI

Meetings of the Association

Section 6.1 Place of Annual and Special Meetings. Except as otherwise expressly provided in the Declaration, all annual and special meetings of the Association shall be held at the principal office of the Association or at another suitable and convenient place permitted by law and fixed by the Board from time to time and designated in the notices of the meetings.

Section 6.2 Date of Annual Meetings. The first annual meeting of the Members shall be held within one (1) year of the date on which the Association is incorporated, and an annual meeting of the Members shall be held during each calendar year thereafter. The date, time and place of each annual meeting of the Members shall be determined by the Board.

Section 6.3 Notice of Annual Meetings. The Secretary shall mail or otherwise provide written notices of annual meetings to each Member directed to the most recent post office address provided to the Association by such Member, as shown on the records of the Association, by regular mail, postage prepaid, or as otherwise established by the Board or provided in the Declaration. This notice shall be mailed or provided not less than ten (10) or more than sixty (60) days before the date of the meeting and shall state the date, time and place of the meeting, the purpose or purposes thereof and the items on the agenda, including the specific nature of any proposed amendment or change to the Declaration, the Certificate or these Bylaws.

Section 6.4 Special Meeting. A special meeting of the Association may be called by the President, a majority of the Directors, or upon presentation to the Secretary of a petition stating the specific purpose of the special meeting, which petition has been signed by Members having at least twenty-five percent (25%) of the votes entitled to be cast at such meeting.

Section 6.5 Notice of Special Meetings. The Secretary shall mail or provide notice of any special meeting of the Association to each Member in the manner provided in Section 6.3 of these Bylaws. The notice shall state the same items required by Section 6.3 of these Bylaws for notices of annual meetings. No business shall be transacted at any special meeting except as stated in the notice thereof unless consented to by a majority of the Members entitled to vote at the special meeting, present in person or by proxy.

Section 6.6 Member Quorum. At any duly convened meeting of the Association, except as otherwise provided in the Certificate, the Declaration, or this Bylaws, a quorum shall be present if Persons entitled to cast at least sixty percent (60%) of the votes that may be cast (i.e., Owners, in good standing, of at least 60% of the Lots) are present in person or proxy at the beginning of the meeting.

Section 6.7 Agenda. The agenda at all meetings of the Association shall include: (a) roll call; (b) proof of notice of meeting or waiver of notice; (c) approval of the minutes of the preceding meeting; (d) reports of officers and committees; (e) election of Directors, if applicable; (f) unfinished business; (g) new business; (h) adjournment.

Section 6.8 Action Without Meeting by Written Ballot. Any action which may be taken by the vote of the Members at a regular or special meeting, other than the election of Directors, may be taken without a meeting if done in compliance with relevant provisions of the TBOC. If an action is taken without a meeting, the Board shall distribute (through the mail, by fax and/or by electronic transmission, at the Board's discretion) a written ballot to every Member entitled to vote on the matter. The ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Association. Approval by written ballot shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the proposal at a regular or special meeting authorizing the action.

Section 6.9 Administration of Affairs. Subject to the provisions of the Act, the TBOC, the Declaration, the Certificate and these Bylaws, the Association shall be governed by the Board.

ARTICLE VII Board

Section 7.1 Authority; Number of Directors.

(a) The affairs of the Association shall be governed by a Board. The number of Directors shall be fixed by the Board from time to time. The initial Directors shall be three (3) in number and shall be those Directors named in the Certificate. Both during and after the Declarant Control Period, the minimum number of directors shall be three (3) and the maximum number of directors shall be five (5). The initial Directors shall serve until their successors are elected and qualified; provided, however, that except as provided in Sections 7.1(b) and 7.1(c) hereinbelow, Declarant shall have the right to appoint and remove Directors, at its discretion, until the

termination of the Declarant Control Period. If Declarant voluntarily surrenders control prior to the termination of the Declarant Control Period, Declarant may require that specified actions of the Board be subject to Declarant approval until the expiration of the Declarant Control Period.

(b) Not later than sixty (60) days after the end of the Declarant Control Period, a transition meeting shall be called for the purpose of electing Directors by the Members, in accordance with the Declaration.

(c) A Director need not be a Member or a Member in good standing, unless so directed by the Board, or in the case of corporate or partnership ownership of a Lot, a duly authorized agent or representative of the corporate or partnership Owner.

Section 7.2 Term of Directors and Compensation. Except as otherwise set forth herein and other than the initial Board (as provided in the Declaration), each Director elected by the Members shall serve for a term of two (2) years and may serve an unlimited number of consecutive terms. Each Director shall continue to hold office until his successor is elected and qualified by the Members. The Directors shall serve without compensation for such service.

Section 7.3 Nominations to Board. Members may be nominated for election to the Board in either of the following ways:

(a) A Member who is not a Director and who desires to run for election to that position shall be deemed to have been nominated for election upon his filing with the Board a written petition of nomination bearing the genuine signatures of at least two (2) other Members; or

(b) A Director who is eligible to be re-elected shall be deemed to have been nominated for re-election to the position he holds by signifying his intention to seek re-election in a writing addressed to the Board.

Section 7.4 Removal of Directors for Cause. If a Director breaches such Director's duties hereunder or violates the terms of the Declaration, or any of the Governing Documents, such Director may be removed by Declarant during the Declarant Control Period and by a majority vote of the remaining Directors following the expiration of the Declarant Control Period. No Director shall have any voting rights nor may such Director participate in any meeting of the Board at any time that such Director is delinquent in the payment of any Assessments or other charges owed to the Association. Any Director that is ninety (90) days delinquent in the payment of Assessments or other charges more than three (3) consecutive times or fails to attend three (3) consecutive meetings of the Board may be removed as a Director by the majority vote of the remaining Directors or by majority approval of the Members at a special called meeting.

Section 7.5 Vacancies on Board. If the office of any elected Director shall become vacant by reason of death, resignation, retirement, disqualification, removal from office or otherwise, during the Declarant Control Period, the Declarant shall appoint the successor Director, and after the end of the Declarant Control Period, the Board shall choose a successor, in either event, within ten (10) days of the vacancy. The successor Director shall fill the

unexpired term of the directorship being vacated. At the expiration of the term, the position shall be filled by election as provided herein and in the Declaration (the successor Director shall be re-elected or its successor shall be elected in accordance with these Bylaws).

Section 7.6 Removal of Directors by Members. Subject to the right of Declarant to nominate and appoint Directors as set forth in Section 7.1, elected Directors may be removed, with or without cause, by a majority vote of the Members at any special meeting of the Members of which notice has been properly given as provided in these Bylaws; provided the same notice of this special meeting has also been given to the entire Board, including the individual Director whose removal is to be considered at this special meeting.

Section 7.7 Organizational Meeting of the Board. No later than twenty (20) days following each of (a) the establishment of the Association, (b) the termination of the Declarant Control Period, and (c) each annual meeting of the Members of the Association, the Board shall hold a regular meeting for the purposes of organization, election of officers and transaction of other business. Notice of this meeting shall be given to all Directors in accordance with Section 7.10 of these Bylaws, except for the initial meeting, which shall be called by Declarant.

Section 7.8 Place of Meetings. All meetings of the Board shall be held at the principal office of the Association or at any other place or places designated at any time by resolution of the Board or by written consent of all of the Directors, except as otherwise permitted in the Declaration. A special meeting of the Board may be held by any method of communication, including electronic and telephonic, by which each Director may hear, and be heard by, every other Director, and any such meeting may involve consideration of any action, including any action involving a vote on a fine, damage assessment, appeal from a denial of architectural control approval, or suspension of a right of a particular Member before the Member has an opportunity to attend a meeting of the Board to present the Member's position on the issue.

Section 7.9 Regular Board Meetings. Regular meetings of the Board may be held at any time and place permitted by law as from time to time may be determined by the Board. Notice of regular meetings of the Board shall be given to each Director personally, by telegram, telephone, electronic mail, facsimile or by United States mail, with postage prepaid, directed to it at its last known post office address, as the same appears on the records of the Association, at least ten (10) but not more than twenty (20) days before the date of the meeting. This notice shall state the date, time, place and purpose of the meeting. Meetings of the Board may be held by conference telephone, subject to the provisions of the TBOC.

Section 7.10 Special Board Meetings. Special meetings of the Board may be called by the President on its own accord or by the President or the Secretary upon the written request of any two (2) Directors, on three (3) days' prior notice to each Director.

Section 7.11 Waiver of Notice. Before any meeting of the Board, whether regular or special, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to giving the required notice. All written waivers shall be filed in the Minute Book of the Association or made a part of the minutes of the meeting. Attendance by a Director at any meeting of the Board, other than for the purpose of objecting to the meeting, shall likewise

constitute a waiver by him of the required notice. If all Directors are present at any meeting of the Board, no notice of the meeting shall be required and any business may be transacted at the meeting except as prohibited by law or these Bylaws.

Section 7.12 Directors Quorum. At all duly convened meetings of the Board, a majority of the Directors present in person (not by proxy) shall constitute a quorum for the transaction of business, except as otherwise expressly provided in these Bylaws. The acts of a majority of the Directors present at the meeting at which a quorum is present shall be the acts of the Board. If at any meeting of the Board there shall be less than a quorum present, the Directors present may adjourn the meeting from time to time and, at the adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting as originally called may be transacted without further notice to any Director.

Section 7.13 Consent in Writing. Any action by the Board, including any action involving a vote on a fine, damage assessment, appeal from a denial of architectural control approval, or suspension of a right of a particular Member before the Member has an opportunity to attend a meeting of the Board to present the Member's position on the issue, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by a sufficient number of Directors as would be necessary to take that action at a meeting at which all of the Directors were present and voted. Such written consent shall be filed in the Minute Book and the notice required by the TBOC shall be given to the appropriate parties. Any action taken by such written consent shall have the same force and effect as if the action was approved by the Board at a meeting of the Board.

Section 7.14 Records. The Board shall cause a complete record of all of its acts and the corporate affairs of the Association to be kept and to present a general report thereof to the Members at each annual meeting of the Association or at any special meeting where a general report is requested in writing by one-third (1/3) of the Members entitled to vote.

Section 7.15 Powers and Duties. Subject to the TBOC, the Board shall have and exercise all powers and duties necessary for the proper administration of the affairs of the Association. In the performance of its duties as the governing body of the Association, the Board shall have all powers and duties enumerated in the TBOC and set forth in the Declaration, as well as those powers and duties enumerated below. Each Director individually and the Board collectively shall perform the duties and powers of the Board in good faith as a fiduciary of the Association, in a manner which the Director believes to be in the best interest of the Association and with the care of a person of ordinary prudence under similar circumstances, including, but not limited to, reasonable inquiry, skill and diligence.

(a) Duties:

(i) provide for the operation, maintenance, management, insurance, cleaning, sanitation, renewal, replacement, care and upkeep of the Addition and all property, real or personal, of the Association;

(ii) determine the Common Properties' expenses and any other charges comprising the operating expenses of the Association, establish the amount of Annual

Assessments, as the same may increase or decrease, and assess the same against the Owners in accordance with the provisions of the Declaration and these Bylaws;

(iii) levy and collect, in addition to Annual Assessments, Special Assessments, Special Group Assessments and Individual Assessments, in amounts which the Board deems proper, whenever the Board is of the opinion it is necessary to do so in order to meet increased operating or maintenance costs or additional capital expenses or because of emergencies;

(iv) use and expend any sums collected from Annual Assessments, Special Assessments and other assessments for the operation, maintenance, renewal, care and upkeep of the Addition;

(v) maintain the Common Properties;

(vi) maintain a reserve fund out of Annual Assessments adequate for the periodic maintenance, repair and replacement of the Common Properties;

(vii) maintain the capital improvement reserve established under the Declaration and funded from Special Assessments, other assessments and portions of Annual Assessments;

(viii) pay all taxes and assessments levied or assessed against any property that may be owned by the Association, exclusive of any taxes or assessments levied against any Owner or otherwise properly chargeable to the Owner;

(ix) collect delinquent Assessments against any Owner's Lot and the Owner thereof, whether by suit or otherwise and to abate any nuisance and enforce the terms of the Declaration and the observance of the Rules by injunction or other legal action or means which the Board may deem necessary or appropriate;

(x) establish operating, escrow and other accounts in the name of the Association as the Board may deem appropriate from time to time and as may be consistent with generally accepted accounting principles;

(xi) adopt a budget for each fiscal year which shall contain estimates of the costs and expenses of the Association and the proposed Annual Assessments;

(xii) cause a complete review of the books and accounts of the Association to be made by a competent independent public accountant at the end of each fiscal year and at any other time or times deemed necessary;

(xiii) maintain accounting records in accordance with generally accepted accounting principles;

(xiv) make, and enforce compliance with, the Rules, including, but not limited to, penalties to be levied for violations of these Bylaws, the Declaration and the Rules which the Board shall adopt, and to amend the same from time to time as and when

approved by appropriate resolutions which shall be binding on the Owners, Residents and Guests of Lots, their successors in title and assigns. Promptly upon the adoption thereof, a copy of the Rules and copies of any amendments thereto shall be posted in a conspicuous place among the Common Properties and/or delivered or mailed to each Owner and, to the extent the required information is made known to the Association as provided herein or in the Declaration, to a Resident of any Lot.

(b) Powers:

(i) employ and dismiss personnel of the Association, and purchase or arrange for those services, machinery, equipment, tools, materials and supplies as, in the opinion of the Board, may from time to time be necessary for the proper operation and maintenance of the Common Properties;

(ii) subject to Section 7.18 of these Bylaws, enter into contracts for professional management of the Property and the Association, at such prices and upon such terms as may be determined by the Board, to perform those duties and services which the Board may lawfully delegate;

(iii) employ or retain and receive advice from professional counsel and consultants, including, but not limited to, landscape architects, architects, engineers, planners, biologists, lawyers and accountants, which the Board may deem necessary for any proper purposes of the Association, and fix the compensation for professional advice or services, including, but not limited to, those hereinbefore or hereinafter referred to in these Bylaws. The Board shall be entitled to rely in good faith on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by any of the following: (A) one or more officers or employees of the Association whom the Board reasonably believes to be reliable and competent in the matter presented; (B) counsel, public accountants or other persons as to the matters which the Board reasonably believes to be within the professional or expert competence of this person; and (C) a committee of the Board duly designated in accordance with law, as to matters within its designated authority, which committee the Board reasonably believes to merit confidence. The Board shall not be considered to be acting in good faith if it has knowledge concerning the matter in question that would cause this reliance to be unwarranted;

(iv) name as an insured, on behalf of the Association, the Association's authorized representative, including any trustee with which the Association may enter into any insurance trust agreement or any successor to this trustee (each of which shall be referred to herein as the "Insurance Trustee"), to be given exclusive authority to negotiate losses under any policy providing property or liability insurance coverage. The Association or any Insurance Trustee or substitute Insurance Trustee designated by the Association shall have the exclusive power to act as attorney-in-fact for the purpose of purchasing and maintaining such insurance, including the collection and appropriate disposition of the proceeds thereof, the negotiation of losses, execution of releases of liability and the execution of all documents and the performance of all other acts necessary to accomplish these purposes;

(v) establish depositories for the funds of the Association with the bank or banks as shall be designated from time to time by the Board and in which monies of the Association shall be deposited. Withdrawal of monies shall be only by check signed by those persons who are authorized by the Board to sign checks on behalf of the Association;

(vi) invest monies of the Association in any investments which the Board deems to be reasonably prudent;

(vii) borrow and repay monies and give notes, mortgages or other security upon the terms which are deemed reasonable by the Board;

(viii) acquire by purchase, gift, annexation or lease, real or personal property, if, at any time in the future, the Board deems it to be proper and not inconsistent with the terms hereof to do so;

(ix) grant and reserve easements, leases, licenses or concessions where necessary or desirable for utilities, routes of ingress and egress, or any other purpose, over the Common Properties and to amend the Plat to show such interests;

(x) establish a form of estoppel certificate acceptable to the Association for delivery to prospective purchasers and lenders and an appropriate charge for furnishing such certificate; and

(xi) do all things incidental and necessary to the accomplishment of the foregoing.

The duties and powers imposed on the Board by this Section shall not be amended so as to reduce or eliminate any duties or powers of the Board without the affirmative vote of at least fifty-one percent (51%) of the votes of Members voting at the meeting called to consider such amendment.

Section 7.16 Annual Budget and Assessments. Copies of the proposed budget setting forth the proposed annual Common Expenses, proposed reserves and proposed Assessments for the next fiscal year of the Association shall be prepared by the Board and distributed to all Members at least forty-five (45) days prior to the beginning of each fiscal year of the Association and shall be available to all Members for inspection during regular business hours at the Association's office. If the proposed budget is subsequently amended before the Assessments are made, a copy of the amended budget shall also be distributed and made available for inspection. Annual Common Expenses shall include, without limiting the generality of the foregoing, the estimated amounts necessary for maintenance and operation of the Common Properties and any and all other expenses related to the operation thereof and the cost of all promotional events and other programs of the Association, including, but not limited to, the cost of common utility services, casualty and liability insurance, professional management expenses, administrative and office expenses, reserves and the costs associated with the administration of the Association or as otherwise provided in the Declaration. Reserves shall include reasonable amounts to be credited, allocated or accumulated for replacement of those Common Properties

improvements or facilities that require replacement, renovation or rehabilitation periodically. Subject to the provisions of Section 7.15(a)(iii), nothing herein contained shall be construed as restricting the right of the Board, at any time and in its sole discretion, to levy a Special Assessment in the event that the budget as originally adopted shall appear to be insufficient to pay the cost of the operation or management of the Addition or in the event of emergencies. Notwithstanding the foregoing, certain of the Common Expenses may benefit less than all of the Owners and will therefore be allocated among some, but not all, of the Owners, all as more particularly set forth in the Declaration.

Section 7.17 Management Certificate. If the Board determines that it is in the best interest of the Association to hire a professional manager for the Property in accordance with Section 7.18 of these Bylaws, the Association shall record in the County a certificate, signed and acknowledged by an officer of the Association stating:

- (a) the name of the Manager;
- (b) the name of the Association;
- (c) the location of the Manager;
- (d) the recording data for the Declaration;
- (e) the mailing address of the Association, or the name and mailing address of the person or entity managing the association; and
- (f) other information the Association considers appropriate or as may be required by the Act.

Such certificate shall be recorded within thirty (30) days after the Association receives notice of a change in any of the information listed in (a) through (e) herein.

Section 7.18 Manager. To facilitate management of the Addition and the administration of the Association, the Board may delegate to a Manager responsibility for matters of a routine nature. After a Manager has been appointed, no decision by the Association to manage its own affairs without a manager shall be effective unless and until approved by a majority of Directors.

Section 7.19 Open Meeting. Meetings of the Association and the Board shall be open to all Members. Subject to applicable law, the Board shall have the right to adjourn a meeting and reconvene in private, closed executive session to consider any actions involving personnel, pending litigation, contract negotiations, or enforcement actions, or upon the request of an affected party, or to consider matters that are confidential in the opinion of the Board; provided, however, the Board shall announce the general nature of the business to be considered in such executive session prior to adjourning the meeting.

ARTICLE VIII Officers

Section 8.1 Officers. The officers of the Association shall be a President, Secretary and Treasurer, and the Board may appoint vice-president(s), or other officers and assistants as it deems appropriate. The offices of President and Secretary may not be held by the same person. The Secretary may be eligible to hold the office of Treasurer. The President and Secretary shall not be representatives of the same corporate Owner/Member. The President and Treasurer must also be Directors and shall vote in such capacity as any other Director. The Secretary need not be a Director.

Section 8.2 Election. Except as set forth herein, the officers of the Association shall be elected annually by the Board at the organizational meeting held pursuant to Section 7.8 of these Bylaws and shall hold office until their successors are elected or appointed by the Board; provided that each officer may be removed, either with or without cause, whenever in the best interest of the Association, and its successor elected by the affirmative vote of a majority of the Directors at any annual or special meeting of the Board called for that purpose. The President and Secretary shall each serve for a term of two (2) years and the remaining officers shall serve for a term of one (1) year. The Board may, from time to time, appoint other officers who, in its judgment, are necessary. Any officer may resign at any time by giving written notice to the Board or to the President or Secretary of the Association. Any resignation shall take effect as of the date of the receipt of the notice or any later time specified therein; unless specified therein, the acceptance of a written resignation shall not be necessary to make it effective.

Section 8.3 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

Section 8.4 President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Association and the Board. The President shall have the general powers and duties usually vested in the office of the president of a community association, including, but not limited to, the power to appoint committees from the Members from time to time as it may deem appropriate to assist in the conduct of the affairs of the Association provided, however, no such committee shall have the right to exercise the full authority of the Board. The President shall be an ex-officio member of all standing committees, if any. The President shall execute deeds, contracts and other instruments, in the name and on behalf of the Association and under its corporate seal when a seal is required, except when these documents are required or permitted by law to be otherwise executed, and except when the signing and execution thereof shall be delegated by the Board to another officer or agent of the Association.

Section 8.5 Secretary. The Secretary shall attend all meetings of the Board and all meetings of the Members and record all votes and the minutes of all meetings and proceedings, including resolutions, in the Minute Book. The Secretary shall perform the same duties for any committees when required. The Secretary shall have charge of the Minute Book, the records of the Association and any papers which the Board shall direct the Secretary to keep; shall perform all duties incident to the office of Secretary, including, but not limited to, the sending of notice of

meetings to the Members, the Directors and members of any committees, and shall perform any other duties which may be prescribed by these Bylaws or by the Board or the President. The Secretary shall also have custody of the corporate seal and shall affix the same to any instrument requiring it when authorized by the Board and shall attest or certify the same when appropriate. The Secretary shall keep, or cause to be kept, at the principal office of the Association, a membership register showing the following: (a) the names and addresses of all Directors; (b) the names and addresses of all Members as provided by the Members; (c) the Lot that is owned by each Member; and (d) the vote of each Member. The Secretary shall prepare, execute and cause the recordation of amendments to the Declaration on behalf of the Association except when the preparation, execution and recordation thereof shall be delegated by the Board to another officer or agent of the Association. Nothing shall prohibit the functions of the Secretary to be delegated to an agent of the Association provided this delegation is approved by resolution of the Board. The delegation of the duties of the Secretary shall not relieve the Secretary from any responsibility related to overseeing and reviewing any duties performed by the agent.

Section 8.6 Treasurer. The Treasurer shall have the responsibility for the Association's funds and securities, shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association, and shall deposit all monies, checks and other valuable effects in the name of and to the credit of the Association in those depositories which may be designated from time to time by the Board. The Treasurer shall disburse the funds of the Association, as the Treasurer may be ordered to do from time to time by the Board or by the President, and shall render to the President and the Directors at the regular meetings of the Board, or whenever they or either of them shall require, an account of its transactions as Treasurer and of the financial condition of the Association. Nothing shall prohibit the functions of the Treasurer to be delegated to an agent of the Association provided this delegation is approved by resolution of the Board. The delegation of the duties of the Treasurer shall not relieve the Treasurer from any responsibility related to overseeing and reviewing any duties performed by the agent.

Section 8.7 Compensation. The officers of the Association shall serve without compensation except that they shall be entitled to reimbursement for all expenses reasonably incurred in the discharge of their duties.

ARTICLE IX

Indemnification of Directors, Officers and Other Authorized Representatives

The Association shall indemnify every Director and officer of the Association against, and reimburse and advance to every Director and officer for, all liabilities, costs and expenses incurred in connection with such directorship or office and any actions taken or omitted in such capacity to the greatest extent permitted under the TBOC and all other applicable laws at the time of such indemnification, reimbursement or advance payment; provided, however, no Director or officer shall be indemnified for: (a) a breach of duty of loyalty to the Association or its Members; (b) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law; (c) a transaction from which such Director or officer received an improper benefit, whether or not the benefit resulted from an action taken within the scope of

directorship or office; or (d) an act or omission for which the liability of such Director or officer is expressly provided for by statute.

ARTICLE X

Association Books and Records

The Association shall keep or cause to be kept (a) detailed financial records of the Association in sufficient detail to enable the Association to prepare a resale certificate in accordance with the provisions of the Act, (b) the plans and specifications used to construct the Addition, (c) the name and mailing address of each Owner of a Lot; (d) voting records, proxies and correspondence relating to all amendments to the Declaration, (e) the minutes of all meetings of the Association and the Board, and (f) the original copy of these Bylaws, as amended or otherwise altered to date, certified by the Secretary. All books and records of the Association shall be available for inspection by the Owners, the First Mortgagees, and their respective agents and representatives, during normal business hours. All books and records of the Association shall be kept in accordance with generally accepted accounting principles, consistently applied, and shall be audited at least once a year by an independent certified public accountant. If requested in writing by an Owner or First Mortgagee, the Association shall furnish such requesting Owner or First Mortgagee copies of the audited financial statements of the Association within ninety (90) days following the end of each fiscal year of the Association. The Board shall further make available for the inspection by Owners, the First Mortgagees, and their respective agents and representatives, during normal business hours, the current version of the Declaration, these Bylaws, the Certificate, the Rules and all other documents affecting the Association, the Owners, or the Property, as well as all amendments thereto and revisions thereof. Declarant shall furnish copies of the information set forth in this Section to the Association on the date the first Lot is conveyed to an Owner. For purposes of this paragraph, "available" shall mean available for inspection, upon reasonable advance request of not less than twenty-four (24) hours, during regular business hours at the office of the Association or the office of the manager of the Association. The Board may charge the Owner, First Mortgagee or other party a reasonable fee for providing such services and information and for the cost of any copies, which sums shall be reimbursed to the Association.

ARTICLE XI

Dissolution and Termination

Upon dissolution of the Association, the real and personal property of the Association shall be distributed pursuant to the provision of the Certificate or, if no such provision is made, distributed to one or more organizations which are exempt from taxation under Section 501(c)(3) of the Code.

ARTICLE XII

Insurance

Section 12.1 Types of Insurance. Commencing upon the first conveyance of any Lot to an Owner other than Declarant, the Association shall obtain and maintain, as a Common Expense, the insurance coverages specified in the Declaration, subject to such changes as the Board shall determine, from time to time, to be in the interest of the Members

Section 12.2 Named Insured. The name of the insured under the insurance policies shall be set forth substantially as follows:

“Sandy Cove Ranch Community Association, Inc. for the use and benefit of the individual owners (which owners may be designated by name if required by law).”

Notwithstanding the foregoing, the policies may be issued in the name of an authorized representative of the Association, including any Insurance Trustee with which the Association has entered into an insurance trust agreement for the use and benefit of the Owners. Loss payable provisions shall be in favor of the Association (or such Insurance Trustee) as a trustee for each Owner and each such Owner's First Mortgagee. Each Owner and such Owner's First Mortgagee, if any, shall be beneficiaries of such policies in the percentage set forth as such allocated interest in the First Mortgagee's written notice to the Association, as provided in the Declaration.

Section 12.3 Mortgagee Coverage. Insurance policies shall contain such mortgagee protection clauses as may be required by the First Mortgagees. No such policies or the constituent documents of the company issuing them shall contain any provisions requiring contributions or making assessments against the Association, the Owners, or any First Mortgagee (or any successor or assign of any First Mortgagee) and none of such policies or such constituent documents shall provide that loss payments are contingent upon any action by such company's Board, policy holders or members. None of such policies shall contain any limiting clauses (other than insurance conditions) which could prevent any Owner or First Mortgagee from collecting insurance proceeds.

Section 12.4 Waiver of Subrogation. The Association and each Owner by its possession or acceptance of title to a Lot hereby waives any and every claim which arises or may arise in its favor against any other Owner or the Association for any and all loss of, or damage to, its property located within or upon, or constituting a part of, the Addition, which loss or damage is covered by valid and collectible fire and extended coverage insurance policies, to the extent such loss or damage is recoverable thereunder. Inasmuch as the foregoing mutual waivers will preclude the assignment of any of such claim by way of subrogation (or otherwise) to an insurance company (or any other party), the Association and each Owner immediately shall give to each insurance company which has issued policies of insurance to such Owner, written notice of the terms of this mutual waiver, and cause such policies to be endorsed, if necessary, to prevent the invalidation of such coverages by reason hereof.

ARTICLE XIII Miscellaneous

Section 13.1 Fiscal Year. The fiscal year of the Association shall be the calendar year unless the Board shall determine otherwise.

Section 13.2 Amendments to Bylaws.

(a) These Bylaws may be amended from time to time by the affirmative vote, in person or by proxy, of at least sixty-seven percent (67%) of the votes cast by the Members voting at the meeting of Members called to consider such amendment.

(b) Members must be given notice of the meeting of Members required by Section 13.2(a)(ii) above not less than ten (10) or more than sixty (60) days preceding the date of the meeting. Any such notice shall include the specific amendment or other change proposed to be made to these Bylaws.

(c) Notwithstanding any other provision of these Bylaws, at no time shall any amendment be made to these Bylaws as is otherwise restricted or prohibited in the Declaration or so as to affect or change any power granted to Declarant herein or in any of the other Governing Documents without the prior written consent of Declarant.

Section 13.3 Construction. Number and gender as used in these Bylaws shall extend to and include both singular and plural and all genders as the context and construction require.

Adopted as of July 1, 2008.



Ken Smith, Secretary of the Association