

**BYLAWS
OF
AJ DILLON RANCHES PROPERTY OWNERS' ASSOCIATION
(A Non-Profit Corporation)**

ARTICLE 1: GENERAL

Section 1. Name. The name of the organization shall be AJ Dillon Ranches Property Owners' Association (POA).

Section 2. Applicability. These Bylaws provide for the self-government of AJ Dillon Ranches Subdivision, a planned community in Houston County, Texas, which are or hereafter become subject to those documents entitled DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR AJ DILLON RANCHES recorded in the Real Property Records, Houston County, Texas and any Supplemental Declarations, all as may be amended from time to time. These documents and any amendments thereto shall hereinafter be referred to as the "Declaration" and all property subject to its covenants, conditions and restrictions shall hereinafter be referred to as the "Property." Unless otherwise expressly defined herein, all capitalized terms shall be construed to have the meanings assigned to them in the Declaration.

Section 3. Declarant. "Declarant" shall mean AJ Dillon Ranches Property Owners' Association, its duly authorized representatives or their respective successors or assigns; provided that any assignment of the rights of AJ Dillon Ranches POA, as Declarant must be expressly set forth in writing and the mere conveyance of a portion of the Property without written assignment of the rights of Declarant shall not be sufficient to constitute an assignment of the rights of Declarant hereunder. (Note: assignment of Declarant rights to the AJ DILLON RANCHES PROPERTY OWNERS'S ASSOCIATION from Suntex Fuller Corporation were completed in 2004)

Section 4. Definitions.

4.01 "Architectural Control Committee" (ACC) means a committee to approve or disapprove construction plans.

4.02 "Association" means AJ Dillon Ranches Property Owners Association.

4.03 "Board" means the Board of Directors of the Association.

4.04 "Commons" means any property reserved for or dedicated to the common use of all property owners such as roads, established through easements across tracts, or any properties leased for such purpose.

4.05 "Dedicator instrument" means each governing instrument covering the establishment, maintenance, and operation of a residential subdivision. The term includes restrictions or similar instruments subjecting property to restrictive covenants, bylaws, or similar instruments

governing the administration or operation of a property owners' association, to properly adopted rules and regulations of the property owners' association, and to all lawful amendments to the covenants, bylaws, rules, or regulations.

4.06 "Development" means the real property described herein, and such additions as may be brought within the jurisdiction of the Association as hereinafter provided.

4.07 "Easements" means any easements or rights of way created by plats or instruments placed of record or as described in any deed for any purpose including but not limited to drainage, utilities, access, or commons.

4.08 "Maintenance" means the exercise of reasonable care to keep buildings, roads on tracts, landscaping, lighting, drainage, irrigation systems, commons, and other related improvements and fixtures in a condition comparable to their original condition, normal wear and tear excepted.

4.09 "Member" means every person or entity that holds membership in the Association. Each purchaser of property becomes a member of the association upon such purchase.

4.10 "Mortgage" means a bona fide mortgage, a Deed of Trust, or a Vendor's Lien.

4.11 "Mortgagee" means a holder of a bona fide mortgage or a beneficiary under or holder of a Deed of Trust.

4.12 "Owner" means the record owner whether one or more persons or entities, of fee simple title to any tract which is a part of the development, and shall include purchasers under contract for deed, but shall not include those holding title merely as security for performance of an obligation such as a mortgage company.

4.13 "AJ Dillon Ranches Restrictions" means collectively (i) this Declaration, together with any Supplemental Declarations, as the same may be amended from time to time, (ii) the AJ Dillon Ranches Rules, (iii) and the Articles of Incorporation and Bylaws of the AJ Dillon Ranches Property Owners Association from time to time in effect, as the same may be amended from time to time.

4.14 "AJ Dillon Ranches Rules" means the rules and regulations adopted by the Board of Directors of the Association pursuant to the authority of this Declaration, as they may be amended from time to time.

4.15 "Specific Commons" means any property reserved or dedicated to the common use of a limited specified group of property owners in a designated section, block, tract, or group of lots as designated upon the plat or otherwise identified by recorded document.

4.16 "Tract" means any contiguous plot of land under single ownership used for single-family residential purposes.

4.17 "Vote," where one vote per tract is stated herein, means one vote for each tract that is subject to an assessment fee.

ARTICLE 2: CORPORATE OFFICE

Section 1. Principal Mailing Address. The address of the POA is AJ Dillon Ranches, 3233 US Hwy 287 South Crockett, TX 75835. The principal office of the Association shall be at the duly elected President of the Board of Directors for the Association, unless otherwise determined by the Board of Directors (sometimes hereinafter referred to as the "Board").

Section 2. Other Offices. The Association may also have offices at such other places, both within and without the State of Texas, as the Board of Directors may from time to time determine or the business of the Association may require.

Section 3. Registered Office and Registered Agent. The Association shall have and continuously maintain in the State of Texas a registered office, and a registered agent whose office is identical with such registered office, as required by the Texas Non-Profit Corporation Act. The registered office may be, but need not be, identical with the principal office of the Association in the State of Texas, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE 3: MEMBERSHIP, MEETING OF MEMBERS AND VOTING RIGHTS

Section 1. Composition of Membership. All Tract Owners shall be Members of the "Association", and as such shall have the responsibility for administering the Common Properties, establishing the means and methods of collecting the assessments, arranging for the management of the Association, and performing all of the other acts that may be required to be performed by the Association and by the Declaration. Except as to those matters which the Declaration or these Bylaws specifically requires to be performed by the vote of the Tract Owners or by their First Mortgagees, the administration of the foregoing responsibilities shall be performed by the Board of Directors as more particularly set forth in Article 5 hereof. Every record Tract Owner shall automatically become, upon acquisition of title, a "Member" of this Association and be subject to these Bylaws. Membership will cease, without any formal Association action, whenever such Member ceases to own title to a Tract.

Section 2. Voting Rights. All Tract Owners shall be entitled to voting rights in the Association with the number of votes to be cast by the Owner(s) of each Tract to be as provided in the Declaration. Where there is more than one record Tract Owner ("Co- owners"), all of those

Co-owners shall be Members and may attend any meeting of the Association, but only one vote shall be cast with respect to each Tract. Co-owners owning the majority interests in a Tract shall

from time to time designate in writing one of their number to vote. Fractional votes among the Co-owners owning a single Tract shall not be allowed. Where no voting Co-owner is designated or if the designation has been revoked, the vote for the Tract shall be exercised as the Co-owners owning majority interests in the Tract mutually agree. No votes shall be cast for any Tract if the majority of the Co-owners present in person or by proxy and representing such Tract cannot agree to said vote. The non-voting Co-owner or Co-owners shall be jointly and severally responsible for all of the obligations imposed upon the jointly owned Tract and shall be entitled to all other benefits of ownership. All corporate Owners must deliver to the Board of Directors a resolution of the Board of Directors of the corporate Owner executed by an officer of such corporate Owner designating an agent to vote for such corporate Owner on Association matters. Any other Owner (except for an Owner who is a natural person) must deliver to the Board of Directors such documents as the Board of Directors may reasonably require evidencing the designation of an agent to vote for such Owner on Association matters. All agreements and determinations lawfully made by the Association in accordance with the voting allocations established herein or in the Declaration affecting the Property, shall be binding on all Owners, their heirs, administrators, successors and assigns.

Section 3. Votes Required for Passage. At a meeting at which a quorum is present, the vote of the Members holding a majority of the votes represented in person or by proxy shall decide any question brought before the meeting, unless the question is one upon which the vote of a greater number is required by law, the Articles of Incorporation, the Declaration or these Bylaws. The Members present or represented at a meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

Section 4. Proxy. A Member may vote either in person or by proxy executed in writing by the Member or his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. Each proxy shall be revocable unless expressly made irrevocable on its face and unless otherwise made irrevocable by law; provided, however, notwithstanding the foregoing, every proxy shall be revocable and shall automatically terminate upon conveyance by a Member of his Tract. Secretary collects all proxies prior to or at commencement of the meeting.

Section 5. No Cumulative Voting. Cumulative voting shall not be permitted.

Section 6. Voting Procedures.

6.01. No member may be disqualified from voting on any matter subject to a vote by the Association. Voting by the members on any matter subject to a vote may be at a duly called meeting (either at the annual meeting or a specially called meeting) or voting may be by petition as prescribed for certain specific procedures. Voting on any question or in any election may be by voice vote or show of hands, unless the presiding officer shall order, or any Member shall demand, that voting be by written secret ballot.

6.02. Votes may also be by:

1. Absentee ballots - In the alternative all votes will be by ballots mailed or emailed to the last known address of each member per the records of the Association.

These ballots must be mailed or emailed back by the member to a certified public accountant designated by the Board. The public accountant will tally all votes and certify the results to be true. A lot, block, and section number, stating the tracts owned and the number of votes represented will identify each vote.

A solicitation for votes by absentee ballot must include an absentee ballot form that contains each proposed action and provides an opportunity for the lot owner to vote for or against each proposed action; instructions for delivery of the completed absentee ballot, including the delivery location; and the following language:

“By casting your vote via absentee ballot you will forgo the opportunity to consider and vote on any action from the floor on these proposals, if a meeting is held. This means that if there are amendments to these proposals your votes will not be counted on the final vote on these measures. If you desire to retain this ability, please attend any meeting in person. You may submit an absentee ballot and later choose to attend any meeting in person, in which case any in-person vote will prevail.”

2. Electronic ballots - “Electronic Ballot” is a ballot cast by e-mail, facsimile, or posting on an Internet website. The electronic balloting system employed must ensure that electronic votes are cast in a manner in which the identity of the member submitting the ballot can be confirmed; and the member receives a receipt of the electronic transmission and receipt of the ballot. If an electronic ballot is posted on an Internet website, a notice of the posting must be sent to each tract/member that contains instructions to obtain access to the posting on the website.

The Board shall have the authority to determine the method of voting, unless a petition signed by at least 20% of the members' requests a particular voting method, in which case the method requested by the members shall apply. Any ballot vote must allow no less than a 30-day period between mail out of ballots and the return of mailed ballots.

6.03. Any person who is a candidate in election or who is otherwise the subject of an association vote or related to such candidate are not allowed to tabulate or to have access to the ballots cast.

To compel a recount of votes, a Lot Owner must submit a written demand for a recount of the vote within fifteen (15) days following the date of the meeting at which the challenged election was held. The written demand for a recount must be submitted either by certified mail or by delivery by the U.S. Postal Service with signature confirmation service to the Association mailing address as reflected on the most recently recorded management certificate; or in person to the Association managing agent as reflected on the most recently recorded management certificate or to the address to which absentee and proxy ballots are mailed.

A recount will be by independent third-party who must be either:

a. a current or former:

- (1) county judge;
- (2) county elections administrator;
- (3) justice of the peace; or
- (4) county voter registrar; or

b. a person agreed on by the association and the persons requesting the recount. Board must provide the results of the recount to each member who requested the recount. If the recount changes the results of the election, the Association is required to reimburse the requesting lot owner for the cost of the recount.

ARTICLE 4: MEETINGS OF MEMBERS

Section 1. Meeting Date. The first annual meeting of the Members, for the purpose of electing directors and transacting such other business as may properly be brought before the meeting, shall be held within one year from the date of incorporation of the Association, and subsequent annual meetings of the Members shall be held within one hundred twenty (120) days after the end of the fiscal year of the Association at such hour as shall be determined and stated in the notice of said meeting. After the first annual meeting, each succeeding annual meeting of the Members shall be held in January on a date to be determined by the Board of Directors.

Section 2. Meeting Place. All meetings of the Members shall be held at the principal office of the Association or at such other place, within the State of Texas, as may be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 3. Failure to Hold Annual Meeting. Failure to hold the annual meeting at the designated time shall not work as dissolution of the Association. In the event the Board of Directors fails to call the annual meeting at the designated time, any Member may make demand that such meeting be held within a reasonable time. Such demand shall be made in writing by certified

mail directed to any officer of the Association. The annual meeting shall thereafter be called within sixty (60) days following such demand.

Section 4. Special Meetings. Special meetings of the Members for any purpose or purposes may be called by the President, the Board of Directors, or the holders of not less than one-tenth (1/10) of all the votes entitled to vote at the meetings. No business other than that specified in the notice of meeting shall be transacted at a special meeting.

Section 5. Notice of Meetings.

5.01. **Written Notice.** Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered at least fifteen (15) days, but not more than fifty (50) days, before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary or the officer or person or persons calling the meeting, to each Member of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his address as it appears on the membership rolls of the Association, with postage thereon prepaid.

5.02. **Waiver.** Notice may be waived in writing signed by the person or persons entitled to such notice. Such waiver may be executed at any time before or after the holding of such meeting. Attendance at a meeting shall constitute a waiver of notice, except where the person attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 6. Informal Action By Members. Any action required by law to be taken at a meeting of the Members of the Association, or any action which may be taken at a meeting of the Members, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the Members entitled to vote with respect to the subject thereof. Such consent shall have the same force and effect as a unanimous vote of Members and may be stated as such in any articles or documents filed with the Secretary of State.

Section 7. Quorum. The Members holding at least fifty percent (50%) of the votes entitled to be cast at a meeting of the Members, represented in person or by proxy, as such votes are allocated pursuant to the provisions of these Bylaws and the Declaration, shall constitute a quorum at a meeting of the Members. If a quorum shall not be present or represented at any meeting of the Members, the Members entitled to vote, represented in person or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented any business may be transacted which might have been transacted at the original meeting.

Section 8. Order of Business. The order of business at all meetings of the Association shall be as follows:

- a) Roll Call;
- b) Proof of Notice of Meeting or Waiver of Notice;
- c) Reading of Minutes of Preceding Meeting;
- d) Reports of Officers and Board of Directors;
- e) Report of Management Agent, if any, and if present;
- f) Report of Committees, if any;
- g) Election of Members of the Board of Directors (when so required);
- h) Unfinished Business;
- i) New Business;
- j) Consideration of adequacy of reserves; and
- k) Adjournment.

Section 9. Conduct of Meeting. The President or his designee shall preside over all meetings of the Members and the Secretary shall keep the minutes of the meeting and record in a Minute Book of the Association such resolutions as are adopted by the Members as well as a record of all transactions occurring thereat. Robert's Rules of Order (latest edition) as modified by the Board of Directors shall govern the conduct of all meetings of the Association when not in conflict with the Declaration or these Bylaws. After minutes are prepared, reviewed, signed and approved, the document will be posted on the AJDR website.

ARTICLE 5: BOARD OF DIRECTORS

Section 1. Management. The Association shall be governed by and act through a Board of Directors. The Board of Directors shall manage the business and affairs of the Association.

Section 2. Number of Directors. The number of directors as of the date of the institution of these Bylaws shall be five (5). Thereafter, the number of directors may be increased or decreased, from time to time by amendment of these Bylaws upon a 60% vote of the Members at the annual meeting or at a special meeting called for that purpose; provided, however the number of directors shall not be decreased to less than three (3). No decrease shall have the effect of shortening the term of any incumbent director. Directors of the Association must be Members of the Association in good standing and in full compliance with all provisions of the Declaration as of the date of election.

Section 3. Election and Term of Office. At the first annual meeting of the Association, five Directors shall be elected to serve for a term of 1 year as set out in the Declaration. Unless removed in accordance with these Bylaws, each director shall hold office for the term for which he is elected and until his successor shall have been elected and qualified.

Section 4. Powers and Duties. The Board of Directors has the powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of the Common Properties, and it may do all such acts and things as are not by law, by these Bylaws, or by the Declaration directed to be exercised and done exclusively by the Members. Without prejudice to such foregoing general powers and duties and such powers and duties as are set forth in the Declaration, the Board of Directors is vested with, and responsible for, the following powers and duties:

(a) The power and duty to select, appoint and remove all officers, agents and employees of the Association, to prescribe such powers and duties for them as may be consistent with law, the Articles of Incorporation, the Declaration and these Bylaws; to fix their compensation and to require from them security for faithful service when deemed advisable by the Board;

(b) The power and duty to conduct, manage and control the affairs and business of the Association, and to make and enforce such rules and regulations (the "AJ Dillon Ranches Rules") therefore consistent with the law, with the Articles of Incorporation, the Declaration and these Bylaws, as the Board may deem necessary or advisable;

(c) The power and duty to fix and levy from time to time regular annual assessments and special assessments upon the Members, as provided in the Declaration, to determine and fix the due date for the payment of such assessments, and the date upon which the same shall become delinquent; provided, however, that such assessments shall be fixed and levied only to provide for the payment of the authorized expenses of the Association and of taxes and assessments upon real or personal property owned, leased controlled or occupied by the Association, or for the payment of expenses for labor rendered or materials or supplies used and consumed, or equipment and appliances furnished for the maintenance, improvement or development of such property or for the payment of any and all obligations in relation thereto, or in performing or causing to be performed any of the purposes of the Association for the health, safety, general benefit and welfare of its Members, in accordance with the provisions of the Declaration;

(d) Subject to any limitations imposed by the Declaration and these Bylaws, the Board of Directors shall have the power and duty to incur any and all such expenditures for any of the foregoing purposes and to provide, or cause to be provided, adequate funds for replacements as it shall deem to be necessary or advisable in the interest of the Association or welfare of its Members. The funds collected by the Board of Directors from the Members, attributable to replacement funds, for maintenance costs recurring less frequently than annually, and for capital improvements, shall at all times be held in trust for the Members and shall not be commingled with other assessments collected from the Members. Such Annual Assessments and Special Assessments shall be fixed in accordance with the provisions of these Bylaws and the Declaration. Should any Member fail to pay such assessments before delinquency, the Board of Directors in its discretion is authorized to enforce the payment of such delinquent assessments as provided herein and in the Declaration;

(e) The power and duty to enforce the AJ Dillon Ranches Restrictions as defined in the Declaration;

(f) The power and duty to contract for and pay fire, casualty, errors and omissions, blanket liability, malicious mischief, vandalism, and other insurance, insuring the Members, the Association, the Board of Directors and other interested parties, in accordance with the provisions of the Declaration, insuring, covering and protecting against such damages or injuries as the Board deems advisable (which may include without limitation, medical expenses of persons injured on the Property). The Board shall review, not less frequently than annually and in advance of expiration dates, all insurance policies and bonds obtained on behalf of the Association by the Board or by agents of the Association;

(g) The power and duty to contract and pay for repairs, maintenance, gardening, utilities, materials and supplies, and services relating to the Property and to employ personnel necessary for the operation of the Property and to keep in good order, condition and repair, all of the Common Properties and all items of personal property used in the enjoyment of the entire premises, including the power to contract and pay for legal and accounting services, and to contract for and pay for Improvements on the Common Properties;

(h) The power and duty to accept assignment of or enter into license and/or maintenance agreements with any appropriate governmental authority to construct, maintain, repair and replace landscape improvements and irrigation systems within any public right-of-way crossing or abutting the Property;

(i) The power, but not the duty, to delegate its powers according to law;

(j) The power and the duty to grant and maintain easements where necessary for utilities, sewer facilities and other public purposes to serve the Property;

(k) The power and duty to adopt such rules and regulations ("AJ Dillon Ranches Rules and Regulations") as the Board may consider necessary for the management of the Property, which AJ Dillon Ranches rules shall become effective and binding after (1) they are adopted by a majority of the Board at a duly called meeting, and (2) they are either mailed or otherwise delivered to each Member, and (3) they are posted in a conspicuous place on the Common Properties, or recorded. Such Rules and Regulations may address, without limitation, use of the Common Properties, signs, parking restrictions, minimum standards of property maintenance, and any other matter within the jurisdiction of the Association as provided in the Declaration; provided, however, that such AJ Dillon Ranches Rules shall be enforceable only to the extent that they are consistent with the Declaration, the Articles of Incorporation and these Bylaws; and the AJ Dillon Ranches Rules may not be used to amend any of said documents;

(l) The power and duty to keep, or cause to be kept, a complete record of all acts and corporate affairs of the Association and to present a statement thereof to the Members at the annual meeting of the Members and at any other time that such statement is requested by Members representing at least fifty percent (50%) of the total voting power of the Association;

(m) The power, but not the duty, to sell personal property of the Association; provided, however, that the prior vote or written approval of the Members entitled to cast at least a majority of the voting power of the Association must be obtained to sell, during any fiscal year, personal property of the Association;

(n) The irrevocable right of access to each Tract at reasonable hours as may be necessary for the maintenance, repair or replacement of any improvements to the Common Properties to prevent damage to the Common Properties;

(o) The irrevocable right of access to each Tract at any hour for the purpose of making emergency repairs necessary to prevent additional damage to the Common Properties;

(p) The power, but not the duty, to borrow funds in order to pay for any expenditure or outlay required pursuant to authority granted by the provisions of the Declaration and these Bylaws, and to execute all such instruments evidencing such indebtedness as the Board of Directors may deem necessary. Such indebtedness shall be the obligation of all of the Owners;

(q) The power and the duty to establish a bank account or accounts for the common treasury and for all separate funds which are required or may be considered advisable by the Board of Directors;

(r) The power and duty to make repairs, additions, alterations and improvements to the Common Properties consistent with managing the Project in a manner in keeping with the character and quality of the neighborhood in which it is located, and consistent with the best interests of the Tract Owners, the Declaration and these Bylaws;

(s) To protect and defend the entire Common Properties from loss and damage by suit or otherwise;

(t) To keep and maintain full and accurate books and records showing all of the receipts, expenses or disbursements and to permit examination thereof at any reasonable time by each of the Tract Owners and any first mortgagee of a Tract, and to cause a complete review of the books and accounts to be made by a competent, independent accountant, once each year. The Association shall cause to be prepared and delivered annually to each Owner a compilation statement showing all receipts, expenses or disbursements since the last such statement. Such financial statements shall be available to any first mortgagee of a Tract, on request, within ninety (90) days following the fiscal year end of the Association; and

(u) In general, to carry on the administration of this Association and to do all of those things, necessary and reasonable, in order to carry out the communal aspect of the Common Properties.

Section 5. Manager or Management Company. The Board of Directors may employ for the Association a professional independent contractor ("Manager") at a compensation established by the Board of Directors, to perform such duties and services, as the Board of Directors shall authorize. Provided, however, that any management contract entered into with such Manager may not be entered into for a term exceeding three (3) years, provided further that any such management contract may be terminated by the Association with or without cause during the time of the same upon thirty (30) days' prior written notice.

Section 6. Removal. If the Board of Directors is presented with written, documented evidence from a database or other record maintained by a governmental law enforcement authority that a Board Member has been convicted of a felony or crime involving moral turpitude, the Board Member is: 1. immediately ineligible to serve on the Board of the Association; 2. automatically considered removed from the Board; and 3. prohibited from future service on the Board. Any director may be removed either for cause or without cause at a special meeting of the Members called for that purpose. Removal shall be accomplished by the affirmative vote of a majority (based on vote) of the Owners' votes entitled to be cast and represented in person or by proxy at such meeting which are entitled to vote for the election of such director.

Section 7. Vacancy. Board Members must be elected and may only be appointed for the purpose of filling a vacancy caused by resignation, death, or disability. Any member of the association is qualified to run for a position on the Board of Directors; there are no eligibility requirements. Each successor director shall be elected or appointed for the unexpired term of his predecessor in office and shall serve until his successor shall be elected and shall qualify. Any directorship to be filled by reason of any increase in the number of directors shall be filled by election at an annual meeting of the Members or at a special meeting of the Members called for that purpose. No action by the Board of Directors shall be invalid solely for the reason that there existed one or more vacancies on the Board of Directors at such time.

Section 8. Committees.

8.01. **Executive Committee.** The Board of Directors, by resolution adopted by a majority of the full Board of Directors, may designate from among its members an executive committee, which committee, to the extent provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the business and affairs of the Association except where action of the Board of Directors is specifically delegated by the Texas Non-Profit Corporation Act or other applicable law, the Articles of Incorporation, or these Bylaws, but the designation of such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed upon it or him by law. The executive committee shall keep regular minutes of its proceedings and report the same to the

Board when required by the Board. The Board of Directors shall ratify actions by the Executive Committee within 90 days of said action.

8.02. **Other Committees.** Other committees not having and exercising the authority of the Board of Directors in the management of the Association may be designated and appointed by a resolution adopted by a majority of the directors at a meeting at which a quorum is present, or by the President when authorized by a like resolution of the Board of Directors. Membership on such committees may, but need not be, limited to directors.

Section 9. **Location of Meetings.** The directors of the Association may hold regular or special meetings either within or without the State of Texas.

Section 10. **Annual Meetings.** The annual meeting of the Board of Directors shall be held without other notice than as provided in these Bylaws immediately after and at the same place as the annual meeting of the Members.

Section 11. **Other Regular Meetings.** The Board of Directors may provide, by resolution, the time and place for the holding of additional regular meetings without other notice than such resolution.

Section 12. **Special Meetings.** Special meetings of the Board of Directors may be called by or at the request of the President, or any two directors. Notice of the call of a special meeting shall be in writing and delivered for transmission to each of the directors not later than during the third day immediately preceding the day for which such meeting is called. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his address as it appears in the records of the Association with postage thereon paid. Neither the business proposed to be transacted, nor the purpose of any special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 13. **Telephonic Conference.** Subject to the provisions for notice required by these Bylaws and the Texas Nonprofit Corporation Act for notice of meetings, directors may participate in and hold a meeting by means of telephone conference or similar communications equipment by which all persons participating in the meeting can hear each other. Participation in the meeting shall constitute presence in person at the meeting, except when a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 14. **Waiver of Notice.** Notice of any special meeting may be waived in writing signed by the person or persons entitled to such notice. Such waiver may be executed at any time before or after the holding of such meeting. Attendance of a director at a special meeting shall constitute a waiver of notice of such special meeting, except where a director attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 15. Quorum. A majority of the number of directors then in office shall constitute a quorum for the transaction of business. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless otherwise specifically required by law or these Bylaws. If a quorum is not present at any meeting of directors, the directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting until a quorum is present.

Section 16. Conduct of Meetings. The President shall preside over all meetings of the Board of Directors and the Secretary shall keep the minutes of the meeting and record in a Minute Book of the Board of Directors such resolutions that are adopted by the Board of Directors and a record of all transactions occurring thereat. Robert's Rules of Order (latest edition) as modified by the Board of Directors shall govern the conduct of all meetings of the Association when not in conflict with the Declaration or these Bylaws.

Section 17. Action Without Meetings. Any action required or permitted to be taken at a meeting of the Board of Directors or any executive committee, or other committee may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the members of the Board of Directors or executive committee then in office, as the case may be. Such consent shall have the same force and effect as a unanimous vote at a meeting, and may be stated as such in any document or instrument filed with the Secretary of State.

Section 18. Chairman. The Board of Directors, by resolution adopted by a majority of the members then in office, may elect one from among their number to serve as chairman and preside at meetings of the Board. The chairman shall serve at the will of the Board of Directors. In absence of such election, the President shall preside at meetings of the Board of Directors.

Section 19. Fidelity Bonds. The Board of Directors shall require adequate fidelity bonds for all officers, directors, and employees of the Association handling or responsible for Association funds. The premiums of such bonds shall constitute an expense payable from assessment revenues.

ARTICLE 6: OFFICERS

Section 1. Designation of Officers. The Board of Directors will serve as officers in the Association but have equal voting rights as members of the board. The officer positions are designated as President, Vice President for Administration, Vice President for Operations, Secretary, and Treasurer. Other officers and committees may be appointed or established, but do not serve as members of the Board of Directors. The Board of Directors may also elect additional vice-presidents, and one or more assistant secretaries and assistant treasurers. The same person may hold any two or more offices except that the same person will not hold the offices of president and secretary. A single individual may perform the duties of the offices of Secretary and Treasurer and the title shall be "Secretary-Treasurer" unless the Board of

Directors decides otherwise. No amendment of these Bylaws shall be required for the Board to elect a separate Secretary and Treasurer to perform the duties set out hereafter.

Section 2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the Association to serve until the next election of officers. Each officer shall hold office until his successor has been elected and qualifies, or until the death, resignation, or removal of the officer.

Section 3. Appointment of Other Officers and Agents. The Board of Directors may appoint such other officers and agents, as it deems necessary. Such officers and agents shall be appointed for such term not to exceed one year and shall exercise such powers and perform such duties as may be determined from time to time by the Board.

Section 4. Removal. Any officer or agent elected or appointed by the Board of Directors, or members of the executive committee, may be removed at any time either for cause or without cause by the affirmative vote of a majority of the whole Board of Directors. Such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment shall not of itself create any contract right.

Section 5. Duties of President. The president shall be the chief executive officer of the Association. The president shall preside at all meetings of the Members and, in the absence of an elected chairman of the Board, at all meetings of the Board of Directors. The president shall present at each annual meeting of the Members and of the Board of Directors a report of the condition of the Association. The president shall cause to be called the regular and special meetings of the directors and the Members in accordance with these Bylaws. The president shall appoint and remove, employ and discharge and fix the compensation of all agents and employees of the Association other than himself, subject to the approval of the Board of Directors. The president shall sign and make contracts and agreements in the name of the Association. The president shall see that the books, reports, statements, and certificates required by law are properly kept. The president shall enforce these Bylaws and perform all of the duties normally incident to the position and office of the president.

Section 6. Duties of Vice-President. In the absence of the president or in the event of his inability or refusal to act, the vice-president (or in the event there be more than one vice-president, the vice-presidents in the order designated, or in the absence of any designation, in the order of their election) shall perform the duties of the president, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the president. Each vice-president shall also have such powers and perform such other duties as from time to time may be assigned to him by the president or by the Board of Directors.

Section 7. Duties of Secretary. The secretary shall attend all meetings of the members and of the Board of Directors. The secretary shall keep a true and complete record of the proceedings, including all votes and resolutions presented at these meetings, in a book to be kept for that purpose. The secretary shall be custodian of the records (under the provisions of the Records Retention Policy) and of the seal, if any, of the Association, and shall affix the same, if the Association so has a seal, to documents, the execution of which is duly authorized. The secretary shall give or cause to be given all notices required by law, the Declaration, the Restrictive Covenants or these Bylaws. The secretary shall, in coordination with the Association manager, if any, the official email contact register for Association members. The secretary shall also perform such other duties as may be prescribed by the Board of Directors or the President.

Section 8. Duties of Treasurer. The treasurer shall have the care and custody of and be responsible for the funds and properties of the Association and shall deposit such funds in the name of the Association in such depositories as the Board of Directors may from time to time designate. The treasurer shall sign, make and endorse in the name of the Association all checks, drafts, warrants, and orders for the payment of money and shall pay out and dispose of same and receipt therefore, under the direction of the president or the Board of Directors, unless such authority has been delegated to a management company acting on behalf of the Association. The treasurer shall disburse funds as directed by resolution of the Board of Directors, provided, however, that a resolution of the Board of Directors is not necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board of Directors. The treasurer shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial data. The treasurer shall exhibit at reasonable times and upon reasonable request his books and records of account to any director or Member of the Association. The treasurer shall cause an annual review of the Association books to be made by a certified public accountant, or public accountant, at the completion of each fiscal year; and shall, with the Board of Directors, prepare an annual budget and a statement of income and expenditures to be presented to the Members at the annual meeting, and deliver a copy of each to the Members. The treasurer shall also render a statement of the condition of the financial affairs of the Association at each regular meeting of the Board of Directors and at such other times as he may be directed by the Board of Directors or by the president.

ARTICLE 7: LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1. Indemnification.

1.01. **Definitions.** For purposes of this Section:

(a) References to the Association, shall include any domestic or foreign predecessor entity of the Association in a merger, consolidation or other transaction in which the liabilities of the predecessor are transferred to the Association by operation of law and in any other

transaction in which the Association assumes the liabilities of the predecessor but does not specifically exclude liabilities that are the subject matter of this Section.

(b) "Indemnitee" means (a) any present or former director, advisory director, or officer of the Association, (b) any person who, while serving in any of the capacities referred to in clause (a) hereof served at the Association's request as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, and (c) any person nominated or designated by (or pursuant to authority granted by) the Board of Directors or any committee thereof to serve in any of the capacities referred to in clauses (a) or (b) hereof.

(c) "Official Capacity" means (a) when used with respect to a director, the office of director of the Association, and (b) when used with respect to a person other than a director, the elective or appointive office of the association held by such person or the employment or agency relationship undertaken by such person at the request of or on behalf of the Association, but in each case does not include service for any other foreign or domestic corporation or any partnership, joint venture, sole proprietorship, trust, employee benefit plan or any other enterprise.

(d) "Proceeding" means any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative, any appeal in such an action, suit or proceeding, and any inquiry or investigation that could lead to such an action, suit or proceeding.

1.02. Indemnification. The Association shall indemnify an Indemnitee who was, is, or is threatened to be named defendant, respondent or witness in a Proceeding by reason, in whole or in part, of such person serving or having served, or having been nominated or designated to serve, in any of the capacities referred to in Subparagraph 1.1(b) above, against any judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses actually incurred by the person in connection with the Proceeding if it is determined, in the manner described in Paragraph 1.3. below, that the person (1) conducted himself in good faith, (2) reasonably believed, in the case of conduct in his Official Capacity, that his conduct was in the Association's best interests, and in all other cases, that his conduct was at least not opposed to the Association's best interests, and (3) in the case of any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful; provided, however, that if the person is found liable to the Association or is found liable on the basis that personal benefit was improperly received by him, the indemnification (i) shall be limited to reasonable expenses actually incurred by the person in connection with the Proceedings and (ii) shall not be made in respect of any Proceeding in which the person shall have been found liable for willful or intentional misconduct in the performance of his duty to the Association. The termination of a Proceeding by judgment, order, settlement or conviction, or on a plea of nolo contendere or its equivalent is not of itself determinative that the person did not meet the requirements for indemnification set forth above. A person shall be deemed to have been found liable in respect of any claim; use or matter only after the person shall have been so adjudged by a court of competent jurisdiction. Notwithstanding any other provision of this Section, the Association shall pay or reimburse expenses incurred by an Indemnitee in connection with his appearance as a

witness or other participant in a Proceeding at a time when he is not a named defendant or respondent in the Proceeding. Reasonable expenses shall include, without limitation, all court costs and all fees and disbursements of attorneys for the Indemnitee.

1.03. **Determinations.** The determination required in Paragraph 1.2. above that an Indemnitee has satisfied the prescribed conduct and belief standards must be made (1) by a majority vote of a quorum consisting of directors who at the time of the vote are not named defendants or respondents in the Proceeding, (2) if such a quorum cannot be obtained, by a majority vote of a committee of the Board of Directors, designated to act in the matter by a majority vote of all directors, consisting solely of two or more directors who at the time of the vote are not named defendants or respondents in the Proceeding, (3) by special legal counsel selected by the Board of Directors or a committee of the Board by vote as set forth in clause (1) or (2) of this sentence, or, if such a quorum cannot be obtained and such a committee cannot be established, by a majority vote of all directors, or (4) by the Members in a vote that excludes the vote of the directors who are named defendants or respondents in the Proceeding. The determination as to reasonableness of expenses must be made in the same manner as the determination that the person has satisfied the prescribed conduct and belief standards, except that if the determination that the person has satisfied the prescribed conduct and belief standards is made by special legal counsel, the determination as to reasonableness of expenses must be made by the Board of Directors or a committee of the Board by vote as set forth in clause (1) or (2) of the immediately preceding sentence or, if such a quorum cannot be obtained and such a committee cannot be established, by a majority vote of all directors.

1.04. **Advancement of Expenses.** Reasonable expenses incurred by an Indemnitee who was, is or is threatened to be made a named defendant or respondent in a Proceeding shall be paid or reimbursed by the Association, in advance of the final disposition of the Proceeding and without any of the determinations specified in Paragraph 1.3. above, after the Association receives a written affirmation by the Indemnitee of his good faith belief that he has met the standard of conduct necessary for indemnification under Paragraph 1.2. above and a written undertaking by or on behalf of such director to repay the amount paid or reimbursed if it is ultimately determined that he has not met those requirements. The written undertaking described in the immediately preceding sentence to repay the amount paid or reimbursed to him by the Association must be an unlimited general obligation of the Indemnitee but need not be secured, and it may be accepted without reference to financial ability to make repayment.

1.05. **Insurance and Other Indemnification.** The Association may purchase and maintain insurance or establish and maintain another arrangement on behalf of any Indemnitee against or in respect of any liability asserted against him and incurred by him, both as to action in his Official Capacity and as to action in any other capacity, whether or not the Association would have the power to indemnify him against that liability under these Bylaw or by statute. If the insurance or other arrangements is with a person or entity that is not regularly engaged in the business of providing insurance coverage, the insurance or arrangement may provide for

payment of a liability with respect to which the Association would not have the power to indemnify the person only if including coverage for the additional liability has been approved by the shareholders of the Association. Without limiting the power of the Association to purchase, procure, establish or maintain any kind of insurance or other arrangement, the Association may, for the benefit of Indemnities, (1) create a trust fund; (2) establish any form of self insurance; (3) secure its indemnity obligation by grant of a security interest or other lien on the assets of the Association; or (4) established a letter of credit, guaranty or surety arrangement. The insurance or other arrangement may be purchased, procured, maintained or established within the Association or with any insurer or other person deemed appropriate by the Board of Directors regardless of whether all or part of the stock or other securities of the insurer or other person are owned in whole or part by the Association. In the absence of fraud, the judgment of the Board of Directors as to the terms and conditions of the insurance or other arrangement and the identity of the insurer or other person participating in an arrangement shall be conclusive, and the insurance or arrangement shall not be voidable and shall not subject the directors approving the insurance or arrangement to liability, on any ground, regardless of whether directors participating in the approval are beneficiaries of the insurance or arrangement.

1.06. Report to Members. Any indemnification of or advancement of expenses to an Indemnitee in accordance with this Section or the provisions of any statute shall 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 12-month period immediately following the date of the indemnification or advance.

1.07. Entitlement. The indemnification provided by this Section shall (1) not be deemed exclusive of, or to preclude, any other rights to which those seeking indemnification may at any time be entitled under the Association's Articles of Incorporation, any law, agreement or vote of Members or disinterested directors, or otherwise (2) continue as to a person who has ceased to be in the capacity by reason of which he was an Indemnitee with respect to matters arising during the period he was in such capacity, and (3) inure to the benefit of the heirs, executors and administrators of such a person.

1.08. Severability. The provisions of this Section are intended to comply with Article 1396-2.22A of the Texas Nonprofit Corporation Act. To the extent that any provision of this Section authorizes or requires indemnification or the advancement of expenses contrary to such statutes or the Articles of Incorporation, the Association's power to indemnify or advance expenses under such provision shall be limited to that permitted by such statutes and the Articles of Incorporation and any limitation required by such statutes or the Articles of Incorporation shall not affect the validity of any other provision of this Section.

1.09. **Effect of Amendment.** No amendment, modification or repeal of this Section or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnities to be indemnified by the Association, nor the obligation of the Association to indemnify any such Indemnities, under and in accordance with the provisions of this Section as in effect immediately prior to such amendment, modification or repeal with respect to claims rising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

1.10. **Statutory Changes.** In the event the indemnification provided by this Section is more restrictive than the provisions of indemnification allowed by Article 1396-2.22A of the Texas Non-Profit Corporation Act, then those persons seeking indemnification shall be indemnified to the full extent permitted by Article 1396-2.22A of the Texas Non-Profit Corporation Act, as it may exist from time to time.

Section 2. Interested Directors and Officers.

2.01. If paragraph 2.02. below is satisfied, no contract or transaction between the Association and any of its directors or officers (or any other corporation, partnership, association or other organization in which any of them directly or indirectly have a financial interest) shall be void or voidable solely because of this relationship or because of the presence or participation of such director or officer at the meeting of the Board or committee authorizing such contract or transaction, or because such person's votes are counted for such purpose.

2.02. Paragraph 2.01. above will apply only if: (a) The contract or transaction is fair to the Association as of the time it is authorized or ratified by the Board of Directors, a committee of the Board, or the Members; or, (b) The material facts as to the relationship or interest of each such director or officer as to the contract or transaction are known or disclosed: (i) to the Members entitled to vote thereon and they nevertheless in good faith authorize or ratify the contract or transaction by a majority vote of the Members present; or (ii) to the Board of Directors and it nevertheless in good faith authorizes or ratifies the contract or transaction by a majority of the disinterested directors present, each such interested director to be counted in determining whether a quorum is present but not in calculating the majority necessary to carry the vote.

2.03. The provisions contained in paragraphs 2.01. and 2.02. above may not be construed to invalidate a contract or transaction, which would be valid in the absence of such provisions.

ARTICLE 8: COMMON EXPENSES AND ASSESSMENTS

Section 1. Determination of Common Expenses and Assessments.

1.01. **Fiscal Year.** The fiscal year of the Association shall consist of the calendar year.

1.02. **Preparation and Approval of Budget.** At least thirty (30) days before the end of each fiscal year the Board of Directors shall adopt a budget for the Association containing an estimate of the total amount which it considers necessary to pay the cost of common utility services (i.e., water and sewer, gas, and electricity), electrical services, maintenance, management, operation, repair and replacement of improvements to the Common Properties, and personal property owned by the Association (except in the case of fire loss), and the cost of wages, materials, insurance premiums, services, supplies and any other expenses that may be declared to be Common Expenses by these Bylaws, the Declaration or a resolution of the Board of Directors or Members, and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Common Properties and the personal property owned by the Association, and the rendering to the Owners of all related services, such costs and expenses being referred to herein as the "Common Expenses". The budget may also include:

The cost of the maintenance or repair of any Tract or improvement thereon in the event such maintenance or repair is reasonably necessary, in the discretion of the Board of Directors, (i) because of the excessive use or damage caused by willful or negligent acts by a Tract Owner or his guests, invitees, licensees, agents employees or patrons, (ii) to protect the Common Properties, (iii) to preserve the appearance or value of the Property or, (iv) to protect the interest of the general welfare of all Owners; provided, however, that no such special maintenance or repair shall be undertaken without a resolution by the Board of Directors and not without reasonable written notice to the Owner of the Tracts proposed to be maintained and provided further that the cost thereof shall be assessed against the Tracts on which such maintenance or repair is performed; and, when so assessed, a statement for the amount thereof shall be rendered promptly to the then Owner of said Tracts, at which time the assessment shall become due and payable and shall be a continuing lien and obligation of said Owner in all respects as provided in the Declaration; and 1.2. Any amount necessary to discharge any lien or encumbrance levied against the Property or any portion thereof, which may, in the opinion of the Board of Directors, constitute a lien against the Association or any portion thereof.

1.03. **Accounts.** The Board shall establish no fewer than two (2) separate accounts (the "Maintenance Funds") into which shall be deposited all monies paid to the Association, and from which disbursement shall be made, as provided herein, in the performance of functions by the Association under the Declaration or these Bylaws. Each of the Maintenance Funds shall be established as separate trust savings or trust checking accounts at a federally insured banking or lending institution. The Maintenance Funds shall include: (1) an Operating Fund for current expenses of the Association, and (2) a Capital Reserve Fund for replacements and repairs of

the Common Properties and other improvements within the Property to the extent necessary under the provisions of the Declaration and these Bylaws. The Board shall not commingle any amounts deposited into any of the Maintenance Funds. All amounts deposited into the Operating Fund and the Capital Reserve Fund must be used solely for the common benefit of all of the Owners for purposes authorized by the Declaration and these Bylaws as they may be amended from time to time. The Board shall make disbursements for the Capital Contribution Fund only for the respective purposes specified in this Article VIII, the Declaration and/or Restrictive Covenants. Disbursements from the Operating Fund shall be made by the Board for such purposes as are necessary for the discharge of its responsibilities herein and under the said Declaration and Restrictive Covenants for the common benefit of all the Tract Owners, other than those purposes for which disbursements from the Capital Contribution Fund are to be used. No provision contained herein shall limit, preclude or impair the establishment of other funds by the Association earmarked for specified purposes authorized by the Declaration and these Bylaws.

1.04. Notice of Budget. The Board of Directors shall send to each Tract Owner a copy of the budget, in a reasonable itemized form, which sets forth the amount of the Common Expenses payable by each Tract Owner, at least thirty (30) days prior to the beginning of the fiscal year to which the budget applies. The said budget shall constitute the basis for determining each Tract Owner's contribution for the Common Expenses of the Association.

1.05. Payment of Assessments. The payment and collection of the assessment made pursuant to the foregoing provisions shall be in accordance with the terms providing for the payment and collection of assessments in these Bylaws and in the Declaration including without limitation the right reserved to the Board to recover reasonable attorneys' fees, interests and costs.

1.06. Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Board of Directors to prepare or adopt the annual budget for any fiscal year shall not constitute a waiver or release in any manner of the Tract Owner's obligation to pay his allocable share of the assessments as herein provided, whenever the same shall be determined, and in the absence of any annual budget or adjusted budget, each Tract Owner shall continue to pay the assessment at the then existing rate established for the previous fiscal period until the new annual or adjusted budget shall have been mailed or delivered.

1.07. Capital Reserve Fund. The Board of Directors shall build up and maintain reasonable capital contributions for working capital, operations, contingencies and replacements. Extraordinary expenditures not originally included in the annual budget, which may become necessary during the year shall be charged first against Capital Contribution Funds. If the Capital Contribution Funds are inadequate for any reason including non-payment of any Tract Owner's assessment, the Board of Directors may at any time levy a further assessment, which shall be assessed against the Tract Owners equally, and which may be payable in a lump sum or in installments as the Board of Directors may determine. The Board of Directors shall serve

notice of any such further assessment of all Tract Owners by a settlement in writing giving the amount and reason therefore, and such further assessment shall, unless otherwise specified in the notice, become effective with the next scheduled payment. The payment and collection of the assessment made pursuant to the foregoing provisions shall be in accordance with the terms providing for payment and collection of assessments in these Bylaws and in the Declaration, including without limitations, the right reserved to the Board to accelerate payments of assessments and the right to recovery of reasonable attorneys' fees, interest and costs.

Section 2. Collection of Assessment. The Board of Directors may take prompt action to collect any assessments due from an Owner, which remain unpaid for more than thirty (30) days from the date due for payment thereof. The Association will publish a "Payment Plan Guideline" and record a copy of it in the Official Public Records of the county. Any assessment not paid by its due date shall be deemed in default. Any assessment not paid within thirty (30) days after the due date shall bear interest from the thirtieth (30th) day after the due date at the highest legal rate per annum. The Association may also charge a reasonable one-time late fee on delinquent assessments. The owner of each tract against which an assessment is levied shall be personally responsible for each unpaid assessment together with all late fees, interest, and costs of collection including attorney's fees and costs of Court as required. The Association, acting through its Board, may bring an action at law against the owner personally obligated to pay the same, and may foreclose the lien against the property. No owner may waive or otherwise escape liability for the assessments provided for nonuse of the common areas, community facilities, roadway, easements, or abandonment of his tract.

Section 3. Collection Policy. AJ Dillon Ranches POA, has a two-part collection policy. At 30 days a late notice is sent, at 60-days a Demand Letter is sent; at 90-days a Title Search is conducted with intent to report to the credit bureau; at 120-days notification of credit bureau reporting; 150 days, attorney notification of lien filing; 180-days intent to forward to the attorney and at 210-days forward to attorney. All fees associated with these filings will be charged to the delinquent POA member. In addition the management company reserves the right to charge delinquent owners directly a onetime set up fee and a monthly servicing fee.

Section 4. Delinquency and Acceleration. Any installment of an assessment provided for in these Bylaws shall become delinquent if not paid on the due date as established by the Board of Directors of the Association, pursuant to the provisions hereof or pursuant to the Declaration. With respect to each installment of an assessment not paid within thirty (30) days after its due date, the Board of Directors may, at its election, require the delinquent Tract Owner to pay a reasonable late charge, together with interest at the maximum rate permitted by law on such delinquent sums, calculated from the date of delinquency to and including the date full payment is received by the Association. If any installment of an Annual Assessment is not paid within thirty (30) days after its due date, the Board may mail a notice, by certified mail return receipt requested, to the Tract Owner and to each First Mortgagee of a Tract, which has requested a copy of the notice. Such notice shall specify, in addition to any information required to be provided under the Declaration, (1) the fact that the assessment is delinquent; (2) the action

required to cure the default; (3) a date, not less than thirty (30) days from the date the notice is mailed to the Tract Owner, by which such default must be cured; and (4) that failure to cure the default on or before the date specified in the notice may result in foreclosure by the Association against the Tract. If the delinquent installments of the assessments of whatever nature, and any charges thereon are not paid in full on or before the date specified in the notice, the Board at its option may declare all of the unpaid balance of the Annual Assessment for the then current fiscal year, attributable to that Tract Owner and his or its Tract(s) to be immediately due and payable without further demand and may enforce the collection of the full Annual Assessment and any other assessments and all charges thereon in any manner authorized by law, these Bylaws and the Declaration.

ARTICLE 9: JOINT OWNERSHIP

Membership may be held in the name of more than one person, corporation or other entity. In the event ownership is in more than one person, corporation or other entity, all of the Co-owners shall be entitled collectively to only the vote in the management of the affairs of the Association as set forth in the Articles of Incorporation, in the Declaration, and these Bylaws, and said vote may not be divided between Co-owners.

ARTICLE 10: OBLIGATION OF MEMBERS

In addition to other obligations and duties set out in the Declaration and these Bylaws every Tract Owner shall:

(a) Pay all assessments levied by the Association as due and as provided in the Declaration.

(b) Maintain, repair and replace, at his own cost and expense all portions of his Tract and improvements thereon requiring maintenance, repair, or replacement, as set forth in the Declaration and in the Restrictive Covenant instrument applicable to his or her section or phase of the subdivision, and subject to the right of the Architectural Review Committee to approve or disapprove alterations.

(c) Conform to and abide by the AJ Dillon Ranches Restrictions in regard to the use of his Tract, any improvements thereon, and the Common Properties which may be adopted in writing from time to time by the Board of Directors and the Association.

ARTICLE 11: NOTICE OF HEARING PROCEDURE

Section 1. Suspension of Privileges. In the event of an alleged violation of the Declaration, these Bylaws or any other Rules and Regulations of the Association, and after written notice of such alleged failure is delivered (in the manner prescribed in Section 2 of Article 11 hereof) to the Tract Owner or any agent of the Tract Owner (the "Respondent") alleged to be in default, the Board shall have the right, after affording the Respondent an opportunity for an appropriate hearing as here in after provided, and upon an affirmative vote of a majority of all directors on the Board, to take any one or more of the following actions: (1) levy a special assessment if so provided in the Declaration and these Bylaws; (2) suspend or condition the right of said Tract Owner to use any facilities owned, operated or maintained by the Association; (3) suspend said Tract Owner's voting privileges in the Association as a Tract Owner, as further provided in the Declaration and these Bylaws; or (4) record a notice of noncompliance encumbering the Tracts and/or residence of the Respondent. Any such suspension shall be for a period of not more than thirty (30) days for any non-continuing infraction, but in the case of a continuing infraction (including nonpayment of any assessment after the same becomes delinquent) suspension may be imposed for so long as the violation continues. No action against a Tract Owner arising from the alleged violation shall take effect prior to the expiration of (a) fifteen (15) days after the Tract Owner's receipt of the complaint pursuant to Section 2, and (b) five (5) days after the hearing required herein. The failure of the Board to enforce any Rules and Regulations of the Association, these Bylaws or the Declaration shall not constitute a waiver of the right to enforce the same thereafter. The remedies set forth above and otherwise provided by these Bylaws, the Declaration, the Restrictive Covenants and the Articles of Incorporation shall be cumulative and none shall be exclusive. However, any individual Tract Owner must exhaust all available internal remedies of the Association prescribed by these Bylaws, or by the AJ Dillon Ranches Rules, provided, however, that the foregoing limitation pertaining to exhausting administrative remedies shall not apply to the Board or to any Tract Owner where the complaint alleges nonpayment of assessments.

Section 2. Written Complaint. A hearing to determine whether a right or privilege of the Respondent under the Declaration or these Bylaws should be suspended or conditioned, or whether a special assessment should be levied, shall be initiated by the filing of a written complaint by any Tract Owner or by any officer or member of the Board of Directors with the President of the Association or other presiding members of the Board. The complaint shall constitute a written statement of charges which shall set forth in ordinary and concise language the acts or omissions with which the Respondent is charged, and a reference to the specific provisions of the Declaration, these Bylaws or the AJ Dillon Ranches Rules which the Respondent is alleged to have violated. The Association shall deliver a copy of the complaint to the Respondent in accordance with the notice procedures set forth in these Bylaws together with a statement, which shall be substantially in the following form:

"Unless a written request for a hearing signed by or on behalf of the person named as "Respondent" in the accompanying complaint is delivered or mailed to the Board of Directors within fifteen (15) days after the complaint was delivered to you, the Board of Directors may proceed upon the complaint without a hearing, and you will have thus waived your right to a hearing. The request for a hearing may be made by delivering or mailing the enclosed form entitled "Notice of Defense" to the Board of Directors at the following address or at such other address as the Board may determine from time to time:

AJ Dillon Ranches POA, 3233 US Hwy 287 South Crockett, TX 75835

You may, but need not, be represented by counsel at any or all stages of these proceedings. If you desire the names and addresses of witnesses or an opportunity to inspect any relevant writings or items on file in connection with this matter in the possession, custody or control of the Board of Directors, you may contact the Board at the above address or at such other address as the Board may determine from time to time. The Respondent shall be entitled to a hearing on the merits of the matter if the Notice of Defense is timely filed with the Board. The Respondent may file a separate statement by way of mitigation, even if he does not file a Notice of Defense."

Section 3. Notice of Hearing. If the Notice of Defense is timely filed, the Board shall deliver in the manner prescribed by the notice procedures set forth in these Bylaws a notice of hearing, on all interested parties at least ten (10) days prior to the hearing, if such hearing is requested by Respondent. The hearing shall be held no sooner than thirty (30) days, but not later than ninety (90) days after the complaint is mailed or delivered to the Respondent as provided in Section 2, above. The notice to the Respondent shall be substantially in the following form, but may include other information:

"You are hereby notified that a hearing will be held before the Board of Directors of the AJ Dillon Ranches Property Owners' Association for AJ Dillon Ranches, at ___ on the ___ day of ___ 20___ at the hour of ___ upon the charges made in the complaint served upon you. You may be present at the hearing, may but need not be represented by counsel, may present any relevant evidence, and will be given full opportunity to cross-examine all witnesses testifying against you. You are entitled to request the attendance of witnesses and the production of books, documents or other items by applying to the Board of Directors."

Section 4. Hearing. If the Notice of Defense is timely filed, the hearing shall be held before the Board in executive session on the date specified in the notice of hearing delivered to the Respondent. If the Notice of Defense is not timely filed, the Respondent's right to, a hearing shall be waived and the Board, in executive session, may proceed upon the complaint without a hearing. Prior to the effectiveness of any sanction hereunder, proof of notice, and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be adequate if a

copy of the notice together with a statement of the date and manner of delivery is entered by the officer or director or other person who mailed or delivered such notice. The notice requirement shall be considered satisfied if the Respondent appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

Should any property owner violate these Covenants and restrictions, the Association, fifteen (15) days after notice, will have the power to file suit to enforce compliance. The Association will be empowered to charge as a special assessment all costs of time and expenditures, including legal fees and cost of removal of improvements in violation, and pay all related expenses. This special assessment will attach to the property upon which the violation rests and will become a lien as provided in these covenants for assessments and liens. Before the Association can suspend a member's right to use common areas, charge a member for property damage, fine a member or sue a member to enforce a restrictive covenant a member will be advised of his or her right to request a hearing in front of the Board. Additionally, a notice under Section 209.006(b) must also advise the member that he or she may have special rights or relief related to the enforcement action under federal law, including the Servicemembers Civil Relief Act (50 U.S.C. app. Section 501 et seq.), if the lot owner is serving on active military duty.

ARTICLE 12: MISCELLANEOUS

Section 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Association and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Funds. All funds of the Association shall be deposited from time to time to the credit of the Association in such banks, trust companies, or other depositories as the Board of Directors may select.

Section 4. Checks. All checks or demands for money and notes of the Association shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 5. Fiscal Year. The fiscal year of the Association shall be fixed by resolution of the Board of Directors and is currently aligned with the calendar year.

Section 6. Books and Records. The Association shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its Board of Directors, and committees having any authority of the Board of Directors, and shall keep at the registered or principal office all books and records of the Association for inspection by any director or his agent or attorney for any proper purpose at any reasonable time.

Section 7. Inspection of Books and Records Production and Copying Policy.

7.01. Inspection of Books. Any person who is a Tract Owner, upon written demand stating the purpose thereof, shall have the right to examine, in person or by agent or attorney, at any reasonable time or times, for any proper purpose, the books and records of account, minutes and records of the Members of the Association.

7.02. Records Production and Copying Policy. A member, agent, or attorney is entitled to obtain from the Association copies of information contained in its books and records in accordance with its Record Reproduction and Copying Policy. The policy prescribes the costs the Association will charge for the compilation, production, and reproduction of information requested under the Open HOA Records law. The Association may charge a requesting party for any costs associated with the compilation, production, or reproduction of information requested as outline herein and as recorded by the Association in the Official Public Records of Houston county.

Allowable charges:

Charge for standard paper copy (each side of a sheet that has recorded information is considered a separate page): \$0.10 per page
Charge for labor to process a request for information (includes the actual time to locate, compile, manipulate data, and reproduce the requested information): . . . \$15.00 per hour.

A requesting party is responsible for costs. Unless such information is included within meeting minutes of the Board or Membership, the Association is not required to release or allow inspection of any books or records that are subject to executive session except in a summary manner as then outlined in minutes of official meeting.

7.03. The Association will make the books and records of the Subdivision HOA, including financial records, open to and reasonably available for examination by a member, or a person designated in a writing signed by the member as his or her agent, attorney, or certified public accountant. A member is also entitled to obtain from the Association copies of information contained in its books and records in accordance with its Record Reproduction and Copying Policy.

The Association Document Retention Policy includes, at a minimum, the following requirements:

- a. Certificates of Formation (Articles of Incorporation), Bylaws, Restrictive Covenants, and all amendments to such documents will be retained permanently;
- b. Financial books and records will be retained for a minimum of 7 years;
- c. Account records of current lot owners will be retained for 5 years;

- d. Contracts with a term of one year or more will be retained for 4 years after the expiration of the contract term;
- e. Minutes of Board Meetings and Membership Meetings will be retained for 7 years; and
- f. Tax returns and audit records for the Association will be retained for 7 years.

Section 8. Financial Records.

8.01. **Records.** The Association shall maintain current true and accurate financial records with full and correct entries made with respect to all financial transactions of the Association, including all income and expenditures, in accordance with generally accepted accounting practices.

8.02. **Annual Reports.** Based on these records, the Board of Directors shall annually prepare or approve a report of the financial activity of the Association for the preceding year. The report must conform to accounting standards as promulgated by the American Institute of Certified Public Accountants and must include a statement of support, revenue, and expenses and changes in fund balances, a statement of functional expenses, and balance sheets for all funds.

8.03. **Location of Financial Records and Reports.** All records, books, and annual reports of the financial activity of the Association shall be kept at the registered office or principal office of the Association in this state for at least three years after the closing of each fiscal year and shall be available to all Tract Owners and their First Mortgagees for inspection and copying there during normal business hours. The Association may charge for the reasonable expense of preparing a copy of a record or report as outlined in the Records Production and Copying Policy (Sec 7; 7.2. above).

Section 9. Producing Resale Certificates. Upon request from a purchaser for a resale certificate, the Association or its agent (management company) shall promptly deliver a copy of the most recent resale certificate issued for the property under Chapter 207 so long as the resale certificate was prepared not earlier than the 60th day before the date of the resale certificate is delivered to the purchaser and reflects any special assessments approved before and due after the resale certificate is delivered. The purchaser is required to pay the fee to the HOA or its agent (management company) for issuing the resale certificate unless otherwise agreed by the purchaser and seller of the property.

Section 10. Notices. All notices, demands, bills, statement or other communications under these Bylaws shall be in writing and shall be considered to have been duly given if delivered personally or if sent by U. S. first class, prepaid mail unless required or authorized to be sent by other methods in the Declaration or these Bylaws.

10.01. **Owner.** Notice to a Tract Owner, shall be sent to the address which the Tract Owner has designated in writing and filed with the Secretary, or if no such address is designated, at the address of the residence of such Tract Owner; or by email to the email address of record.

10.02. **Association.** Notice to the Association, the Board of Directors, or the Manager, if any, shall be sent for principal office of one of them, or at such other address as shall be designated by the notice in writing to the Tract Owners pursuant to this Section.

Section 11. **Invalidity.** The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws.

Section 12. **Corporate Seal.** The Association will not use a corporate seal unless otherwise decided by the Board of Directors.

ARTICLE 13: ENFORCEMENT OF RESTRICTIVE COVENANTS CONCERNING FLAGS, SOLAR PANELS, ROOF SHINGLES, RAIN BARRELS, AND RELIGIOUS DISPLAYS.

Section 1. **Flags.**

1.01. **Conflict with Other Provisions.** Per state law, this Section controls over any provision in any other Association governing document to the contrary, including Article 4, Section 4.17 of the Declarations, to the extent of any conflict.

1.02. **General.** An Owner may display flags only on his or her lot and only in compliance with this Section. An Owner may not display flags on the Common Areas, or on any other lands owned or maintained by the Association, for any reason or at any time.

1.03. **Permitted Flags.** An Owner is permitted to display on his or her lot the flag of the United States of America, the flag of the State of Texas, and/or an official or replica flag of any branch of the United States armed forces, or other flag, subject to the restrictions contained in this Section.

1.04. **Materials and Appearance of Flag Mounts and Flagpoles.** A flag mount attached to a dwelling or a freestanding flagpole must be constructed of permanent, long-lasting materials, with a finish appropriate to the materials (per the discretion of the ACC) used in the construction of the mount or flagpole and harmonious with the dwelling.

1.05. **Maintenance.** An Owner is responsible for ensuring that a displayed flag, flag pole, flag mount(s), lighting and related installations are maintained in good and attractive condition at all times at the Owner's expense. Any flag, flag pole, flag mount, light, or related installation or item that is in a deteriorated or unsafe condition must be repaired, replaced, or removed promptly upon the discovery of its condition.

1.06. **Noise Restrictions.** An Owner must ensure that external halyards (hoisting ropes) used in combination with the flagpole do not create an unreasonable amount of noise.

Section 2. Solar Energy Devices and Roofing.

2.01. **Conflict with Other Provisions.** Per state law, this Section controls over any provision in any other Association governing document to the contrary, including Article 4, Section 4.18 of the Declarations, to the extent of any conflict.

2.02. **Prior Approval Required.** An Owner may install solar energy devices only on property solely owned and solely maintained by the Owner, and only in accordance with the restrictions provided herein. Owners may not install solar energy devices except in accordance with the restrictions provided herein. Prior to installation of any solar energy device, the Owner must submit plans for the device and all appurtenances thereto to the ACC. The plans must provide an as-built rendering, and detail the location, size, materials, and color of all solar devices, and provide calculations of the estimated energy production of the proposed devices.

2.03. **Definition:** In this section, "solar energy device" means a system or series of mechanisms designed primarily to provide heating or cooling or to produce electrical or mechanical power by collecting and transferring solar-generated energy. All solar devices not meeting this definition are prohibited.

2.04. **Prohibited Devices:** Owners may not install solar energy devices that:

- a. threaten the public health or safety;
- b. violate a law;
- c. are located on property owned by the Association;
- d. are located in an area owned in common by the members of the Association;
- e. are located in an area on the property Owner's property other than:
 - i. on the roof of the home (or of another structure on the Owner's lot allowed under the Association's governing documents); or
 - ii. in a fenced yard or patio owned and maintained by the Owner;
- f. are installed in a manner that voids material warranties;
- g. are installed without prior approval by the ACC; or
- h. substantially interfere with the use and enjoyment of land by causing unreasonable discomfort or annoyance to persons of ordinary sensibilities. This determination may be made at any time, and the ACC may require a removal of any device in violation of this or any other requirement.

2.05. **Solar Shingles:** Any solar shingles must:

- a. Be designed primarily to:
 - i. be wind and hail resistant;
 - ii. provide heating/cooling efficiencies greater than those provided by customary composite shingles; or
 - iii. provide solar generation capabilities; and

b. When installed:

- i. resemble the shingles used or otherwise authorized for use on property in the subdivision;
- ii. are more durable than and are of equal or superior quality to the shingles used or otherwise authorized for use on property in the subdivision;
- iii. match the aesthetics of the property surrounding the Owner's property.

Section 3. Rain Barrels and Rainwater Harvesting Systems.

3.01. Pre-Approval Required. Owners may install rain barrels or rainwater harvesting systems only with pre-approval from the ACC, and only in accordance with the restrictions described in this Section.

3.02. Prohibited Locations. Owners are prohibited from installing rain barrels or rainwater harvesting systems, or any part thereof, in the following locations:

- a. on property owned by the Association;
- b. on property owned in common by the members of the Association; or
- c. on property between the front of the Owner's home and an adjoining or adjacent street.

3.03. Additional Restrictions if installed in side yard or improvements are visible. If any part of the improvement is installed in a side yard, or will be visible from the street, another lot, or common area, the Association may impose restrictions on the size, type, materials, and shielding of, the improvement(s) (through denial of plans or conditional approval of plans).

Section 4. Religious Displays.

An Owner is permitted to display religious objects on the front door or doorframe of the owner's home or unit unless the objects contain patently offensive language or symbols or the object is more than 25 square inches in size.

ARTICLE 14: AMENDMENTS

Power to Amend. These Bylaws may be altered, amended, or repealed at any meeting of the Members at which a quorum is present, by the affirmative vote of a majority of the Members present at such meeting, provided notice of the proposed alteration, amendment, or repeal be contained in the notice of such meeting. Any amendment to these Bylaws which would conflict with the provisions of the Articles of Incorporation, the Declaration or other applicable restrictive covenants shall be ineffective unless and until the appropriate provisions of the Articles of Incorporation, the Declaration or other applicable restrictive covenants, whether one or more, as the case may be, are so amended in accordance with their respective amendment procedures.

ARTICLE 15: CONFLICT

In the case of a conflict between the Articles of Incorporation and the Bylaws, the Articles shall control and in case of conflict between the Declaration and these Bylaws, the Declaration shall control.

IN WITNESS WHEREOF, on behalf of the Directors of the River Ridge Ranch Property Owners' Association, Inc, have hereto set our hands this day of _____.

Bylaws ADOPTED _____.

CHARLES M. STOCKTON, PRESIDENT PRO TEM