

BYLAWS
OF
THE ENCLAVE AT THE LAKES OF PROSPER
HOMEOWNER'S ASSOCIATION, INC.

(A Texas Property Owners Association)

PROPERTY

These Bylaws pertain to The Enclave at the Lakes of Prosper, an addition to the City of Prosper, Texas, according to the Plat recorded as Document No. 2013366, Plat Records, Collin County, Texas. These Bylaws are to be recorded in the Official Public Records of Collin County, Texas.

**BYLAWS
OF
THE ENCLAVE AT THE LAKES OF PROSPER
HOMEOWNER'S ASSOCIATION, INC.
(A Texas Property Owners Association)**

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE 1 - <u>INTRODUCTION</u>	1
1.1. PROPERTY	1
1.2. DECLARATION	1
1.3. DEFINITIONS	1
1.4. DECLARANT CONTROL	1
1.5. PARTIES TO BYLAWS	1
1.6. TYPE OF ORGANIZATION	1
1.7. APPLICABLE LAW	1
1.8. GENERAL POWERS AND DUTIES	2
ARTICLE 2 - <u>BOARD OF DIRECTORS</u>	2
2.1. NUMBER AND TERM OF OFFICE	2
2.2. STAGGERED TERMS	2
2.3. QUALIFICATION	2
2.4. ELECTION	3
2.5. VACANCIES	3
2.6. REMOVAL OF DIRECTORS	3
2.7. MEETINGS OF THE BOARD	4
2.8. ACTION WITHOUT MEETING OR TELEPHONIC MEETING	6
2.9. POWERS AND DUTIES	7
2.10. EMERGENCIES	7
2.11. FIDELITY BONDS	8
ARTICLE 3 - <u>OFFICERS</u>	8
3.1. DESIGNATION	8
3.2. ELECTION OF OFFICERS	8
3.3. REMOVAL AND RESIGNATION OF OFFICERS	9
3.4. DESCRIPTION OF PRINCIPAL OFFICES	9
3.5. AUTHORIZED AGENTS	9
ARTICLE 4 - <u>STANDARDS</u>	9
4.1. SEPARATE LIABILITY	9
4.2. GENERAL STANDARDS	10
4.3. RELIANCE	10
4.4. COMPENSATION	10
4.5. LOANS	10
4.6. CONFLICT OF INTERESTS	11

ARTICLE 5 - <u>MEETINGS OF THE ASSOCIATION</u>	11
5.1. ANNUAL MEETING	11
5.2. SPECIAL MEETINGS	11
5.3. PLACE OF MEETINGS	11
5.4. NOTICE OF MEETINGS	11
5.5. RECORD DATE	11
5.6. ELIGIBILITY	12
5.7. QUORUM	12
5.8. LACK OF QUORUM	12
5.9. VOTES	12
5.10. VOTING	13
5.11. PARTICIPATION	13
5.12. PROXIES	13
5.13. CONDUCT OF MEETINGS	14
5.14. ORDER OF BUSINESS	14
5.15. ADJOURNMENT OF MEETING	14
5.16. ACTION WITHOUT MEETING	14
5.17. MEETINGS BY REMOTE COMMUNICATIONS	14
5.18. VOTE TABULATION AND RECOUNTS	15
ARTICLE 6 - <u>RULES</u>	15
6.1. RULES	15
6.2. ADOPTION AND AMENDMENT	15
6.3. NOTICE AND COMMENT	15
6.4. DISTRIBUTION	15
ARTICLE 7 - <u>ENFORCEMENT</u>	16
7.1. ACTIONS REQUIRING NOTICE AND HEARING	16
7.2. NOTICE	16
7.3. HEARING	17
7.4. ACTIONS EXEMPT FROM NOTICE AND HEARING REQUIREMENTS	17
7.5. IMPOSITION OF FINE	18
7.6. REIMBURSEMENT OF EXPENSES AND LEGAL FEES	18
7.7. ADDITIONAL ENFORCEMENT RIGHTS	19
ARTICLE 8 - <u>OBLIGATIONS OF THE OWNERS</u>	19
8.1. NOTICE OF SALE	19
8.2. PROOF OF OWNERSHIP	19
8.3. OWNERS' INFORMATION	19
8.4. MAILING ADDRESS	19
8.5. REGISTRATION OF MORTGAGEES	19
8.6. ASSESSMENTS	20
8.7. COMPLIANCE WITH DOCUMENTS	20
ARTICLE 9 - <u>ASSOCIATION RECORDS</u>	20
9.1. INSPECTION OF BOOKS AND RECORDS	20
9.2. RESALE CERTIFICATES	21
9.3. MANAGEMENT CERTIFICATE	21
9.4. MEMBERSHIP LIST	21

ARTICLE 10 - <u>NOTICES</u>	23
10.1. CO-OWNERS	23
10.2. DELIVERY OF NOTICES	23
10.3. WAIVER OF NOTICE	23
ARTICLE 11 - <u>INDEMNIFICATION</u>	23
11.1. GENERAL	23
11.2. MANDATORY INDEMNIFICATION	23
11.3. EXCEPTIONS TO MANDATORY INDEMNIFICATION	24
11.4. EXPENSES	24
11.5. INDEMNIFICATION OF OTHER PERSONS	25
ARTICLE 12 - <u>DECLARANT PROVISIONS</u>	25
12.1. CONFLICT	25
12.2. BOARD OF DIRECTORS	25
12.3. TRANSITION MEETING	25
ARTICLE 13 - <u>AMENDMENTS TO BYLAWS</u>	25
13.1. AUTHORITY	25
13.2. AMENDMENTS BY MEMBERS	26
13.3. EFFECTIVE	26
13.4. MORTGAGEE PROTECTION	26
13.5. DECLARANT PROTECTION	26
ARTICLE 14 - <u>GENERAL PROVISIONS</u>	27
14.1. DRAFTER'S INTENT	27
14.2. CONFLICTING PROVISIONS	27
14.3. SEVERABILITY	27
14.4. CONSTRUCTION	27
14.5. EFFECTIVE COMMUNICATIONS	27
14.6. FISCAL YEAR	28
14.7. WAIVER	28
14.8. EXHIBIT	28
14.9. PREPARER	28
CERTIFICATION & ACKNOWLEDGMENT	29
EXHIBIT A - RECORDS PRODUCTION AND COPYING POLICY	
EXHIBIT B - RECORD RETENTION POLICY	

**BYLAWS
OF
THE ENCLAVE AT THE LAKES OF PROSPER
HOMEOWNER'S ASSOCIATION, INC.
(A Texas Property Owners Association)**

**ARTICLE I
INTRODUCTION**

1.1 **PROPERTY.** These Bylaws provide for the governance of The Enclave at the Lakes of Prosper, an addition to the City of Prosper, Texas, according to the Plat recorded as Document No. 2013366, Plat Records, Collin County, Texas (the "**Property**").

1.2 **DECLARATION.** The Property is subject to a number of publicly recorded documents, including the Declaration of Covenants, Conditions & Restrictions for The Enclave at the Lakes of Prosper, recorded or to be recorded in the Official Public Records of Collin County, Texas (the "**Declaration**").

1.3 **DEFINITIONS.** Words and phrases defined in the Declaration have the same meanings when used in these Bylaws.

*During the Declarant Control & Development Periods,
the Declarant has certain rights in the Declaration which may
have priority over these Bylaws.*

1.4 **DECLARANT CONTROL.** Notwithstanding anything to the contrary in these Bylaws, a number of provisions in these Bylaws are modified by Declarant's rights and reservations under the Declaration during the Declarant Control Period and the Development Period, such as the number, qualification, appointment, removal, and replacement of directors, as well as the weight of votes allocated to lots owned by Declarant.

1.5 **PARTIES TO BYLAWS.** All present or future lot owners and all other persons who use or occupy the Property in any manner are subject to these Bylaws, the Declaration, and the other Governing Documents as defined in the Declaration. The mere acquisition of a lot or occupancy of a dwelling will signify that these Bylaws are accepted, ratified, and will be strictly followed.

1.6 **TYPE OF ORGANIZATION.** As an organization of lot owners, the Association is created by the Declaration and these Bylaws. The Association is a nonprofit organization, and may be incorporated or unincorporated.

1.7 **APPLICABLE LAW.** The Association is a legal entity governed by the Texas Business Organizations Code (the "**Code**"). If the Association is not incorporated, it is an unincorporated nonprofit association subject to Chapter 252 of Title 6 of the Code, the Texas Uniform Unincorporated Nonprofit Association Act. If the Association is incorporated, it is a domestic nonprofit corporation subject to Chapter 22 of Title 2 of the Code, the Texas Nonprofit Corporation Law. If not incorporated, the Association, at its discretion, may use the Texas Nonprofit Corporation

Law for guidance in governing the Association. Sections of the Code that are cited in these Bylaws are incorporated herein by reference, whether or not the Association is incorporated. Nothing in these Bylaws are to be interpreted to supercede mandatory provisions of applicable law, including Section 209 of the Texas Property Code.

1.8 GENERAL POWERS AND DUTIES. The Association, acting through the board, has the powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of the Property as may be required or permitted by the Governing Documents and applicable law. The Association may do any and all things that are lawful and which are necessary, proper, or desirable in operating for the best interests of its members, subject only to limitations upon the exercise of such powers as may be contained in applicable law or the Governing Documents.

ARTICLE II

BOARD OF DIRECTORS

2.1 NUMBER AND TERM OF OFFICE. After the Declarant Control Period, the board will consist of five persons. The number of directors may be changed by amendment of these Bylaws, but may not be less than three. Upon election, each director will serve a term of 2 years. A director takes office upon the adjournment of the meeting or balloting at which he is elected or appointed and, absent death, ineligibility, resignation, or removal, will hold office until his successor is elected or appointed. A director may not hold office for more than 2 consecutive terms at one time. Upon the conclusion of such 2 consecutive terms tenure or 1 term of 2 years, a director may not hold office again for 2 years before being eligible to become a director again.

2.2 STAGGERED TERMS. To maintain staggered terms, two directors will be elected in even-numbered years, and three directors will be elected in odd-numbered years. To establish staggered terms, at the first election after the transition meeting, the candidates receiving the most votes will serve 2-year terms, and the candidates receiving the next-highest votes will serve initial terms of one year. In an odd-numbered year, the three highest vote getters will serve a 2-year term, and the next two highest vote getters will serve 1-year terms. In an even-numbered year, the two highest vote getters will serve 2-year terms, and the next three highest vote getters will serve 1-year terms. Thereafter, their successors will serve 2-year terms. If the board is ever elected en masse, the same method will be used to re-establish staggered terms.

<i>See Appendix C of the Declaration for the number and qualifications of directors during the Declarant Control Period.</i>
--

2.3 QUALIFICATION. The following qualifications apply to the election or appointment of persons to the board to the extent candidates are available and qualified. The following qualifications may be waived or modified on an election by election basis only if an insufficient number of qualified candidates are available.

2.3.1 Owners. At least a majority of the directors must be members of the Association, spouses of members, or residents of the Property.

2.3.2 Entity Member. If a lot is owned by a legal entity, such as a partnership or corporation, any officer, partner, agent, or employee of that entity member is eligible to serve

as a director and is deemed to be a member for the purposes of this Section. If the relationship between the entity member and the director representing it terminates, that directorship will be deemed vacant.

2.3.3 Co-Owners. Co-owners of a lot, such as spouses, may not serve on the board at the same time.

2.3.4 Ineligibility. If the board 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 immediately ineligible to serve on the board of the property owners' association, automatically considered removed from the board, and prohibited from future service on the board.

2.4 ELECTION. Directors will be elected by the members of the Association. The election of directors will be conducted at the annual meeting of the Association, at any special meeting called for that purpose, or by any method permitted by applicable law.

2.5 VACANCIES. Subject to the exceptions below, vacancies on the board caused by any reason are filled by a vote of the majority of the remaining directors, even though less than a quorum, at any meeting of the board. Each director so elected serves the remainder of the unexpired term of the predecessor board member. The exceptions to board-elected replacements are (1) the removal of a director by a vote of the Association's members, who will elect a replacement, and (2) a vacancy occurring because of an increase in the number of directors, which also will be filled by election of the members.

2.6 REMOVAL OF DIRECTORS.

2.6.1 Removal by Members. At any annual meeting of the Association or at any special meeting of the Association called for the purpose of removing a director, any one or more of the directors may be removed with or without cause by members representing at least two-thirds of the votes present in person or by proxy at the meeting, and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the members must be given an opportunity to be heard at the meeting.

2.6.2 Removal by Directors. A director may not be removed by the officers or by the remaining directors, except for the following limited reasons for which a director may be removed by at least a majority of the other directors at a meeting of the board called for that purpose:

- 2.6.2.1 The director is a party adverse to the Association, the board, or a committee of the Association in pending litigation to which the Association, board, or committee is a party, provided the Association did not file suit to effect removal of the director.
- 2.6.2.2 The director's account with the Association has been delinquent for at least 90 days or has been delinquent at least 3 times during the preceding 12 months, provided he was given notice of the default and a reasonable opportunity to cure.

- 2.6.2.3 The director has refused or failed to attend 3 or more meetings of the board during the preceding 12 months, provided he was given proper notice of the meetings.
- 2.6.2.4 The director has refused or failed to cure a violation of the Governing Documents for which he has been given notice, a reasonable opportunity to cure, and an opportunity to request a hearing before the board.
- 2.6.2.5 The director was an "interested person" in the outcome of a contract, decision, or transaction considered by the board, and (1) failed to fully or timely disclose same to the board, or (2) failed to abstain from voting on the matter.

2.6.3 No Removal by Officers. A director may not be removed by officers of the Association, acting in their capacity of officers of the Association, under any circumstance.

2.7 MEETINGS OF THE BOARD.

2.7.1 Organizational Meeting of the Board. Within 10 days after the annual meeting, the directors will convene an organizational meeting for the purpose of electing officers. The time and place of the meeting will be fixed by the board and announced to the directors.

2.7.2 Place of Board Meetings. Except for meetings held by electronic or telephonic means, the board will conduct its meetings at a location in the county which all or part of the property of the subdivision is located, or in an adjacent county thereto, that is reasonably convenient for the greatest number of directors, and at a place or facility that is sufficiently large to accommodate the number of owners who typically attend board meetings as observers. The decision of where to meet may be made on a meeting by meeting basis by the officer or director who calls the meeting, by board resolution, or by any other practice that is customary for property owners associations. The board is not required to conduct its meetings at the Property, to maintain a fixed place for its meetings, to select a location that is convenient to owners, or to select a facility that accommodates a larger number of spectator members than is customary.

2.7.3 Types of Board Meetings. Regular meetings of the board must be held at least bi-annually. Special meetings of the board may be called, by the president or, if he is absent or refuses to act, by the secretary, or by any 2 directors. In case of emergency, the board may convene an emergency meeting for the purpose of dealing with the emergency after making a diligent attempt to notify each director by any practical method.

2.7.4 Notice to Directors of Board Meetings. Notice is not required for regular meetings of the board, provided all directors have actual or constructive knowledge of the meeting date, time, and place. Notice of a special meeting must be given at least one day in advance of the meeting. If notice is given, it may be given by any method or combination of methods that is likely to impart the information to the directors.

2.7.5 Notice to Members of Board Meetings. Members shall be given notice of the date, hour, place, and general subject of a regular or special board meeting, including a general description of any matter to be brought up for deliberation in executive session. The notice shall be (1) mailed to each property owner not later than the 10th day or earlier than the 60th day before the date of the meeting; or (2) provided at least 72 hours before the start of the meeting by: (A) posting the notice in a conspicuous manner reasonably designed to provide notice to property owners' association members; (i) in a place located on the association's common property or, with the property owner's consent, on other conspicuously located privately owned property within the subdivision; or (ii) on any Internet website maintained by the association or other Internet media; and (B) sending the notice by e-mail to each owner who has registered an e-mail address with the association. It is an owner's duty to keep an updated e-mail address registered with the property owners' association.

2.7.6 Notice to Members of Elections or Votes. Not later than the 10th day or earlier than the 60th day before the date of an election or vote, the board shall give written notice of the election or vote to (1) each owner of property in the property owners' association, for purposes of an association-wide election or vote; or (2) each owner of property in the property owners' association entitled under the dedicatory instruments to vote in a particular representative election, for purposes of a vote that involves election of representatives of the association who are vested under the dedicatory instruments of the property owners' association with the authority to elect or appoint board members of the property owners' association

2.7.7 Conduct of Meetings. The president presides over meetings of the board and the secretary keeps, or causes to be kept, the written minutes. When not in conflict with applicable law or the Governing Documents, the then current edition of Robert's Rules of Order governs the conduct of the meetings of the board.

2.7.8 Quorum. At meetings of the board, a majority of directors constitutes a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which a quorum is present are the acts of the board. If less than a quorum is present at a meeting of the board, the majority of those present may adjourn the meeting from time to time. At any reconvened meeting at which a quorum is present, any business that may have been transacted at the meeting as originally called may be transacted without further notice.

2.7.9 Minutes. The record of resolutions adopted by the board and a record of transactions and proceedings occurring at meetings are to be kept by the Secretary, or at the Secretary's direction. Such record is not the minutes of the meeting until approved by the directors at a future meeting. The minutes must generally report actions taken by the board. Following an executive session, any decision made in the executive session must be summarized orally and placed in the minutes, in general terms, without breaching the privacy of individual owners, violating any privilege, or disclosing information that was to remain confidential at the request of the affected parties.

2.7.10 Voting. A director who is also an officer of the Association, even the presiding officer, is expected to participate and to vote in the manner of every other director. The president of the Association is not prohibited from voting and is not limited to tie-breaking votes. Directors may not participate by proxy at meetings of the board.

2.7.11 Open Meetings. Regular and special meetings of the board are open to members of the Association, subject to the following provisions to the extent permitted or required by applicable law:

- 2.7.11.1 No audio or video recording of the meeting may be made, except by the board or with the board's prior express consent.
- 2.7.11.2 Members who are not directors may not participate in board deliberations under any circumstances, and may not participate in board discussions unless the board expressly so authorizes at the meeting.
- 2.7.11.3 Executive sessions are not open to members.
- 2.7.11.4 The board may prohibit attendance by non-members, including representatives, proxies, agents, and attorneys of members.
- 2.7.11.5 The board may prohibit attendance by any member who disrupts meetings or interferes with the conduct of board business.

2.7.12 Executive Session. The board may adjourn any regular or special meeting of the board and reconvene in executive session, subject to the following conditions:

- 2.7.12.1 The nature of business to be considered in executive session will first be announced in open session.
- 2.7.12.2 No action may be taken nor decision made in executive session, which is for discussion and informational purposes only.
- 2.7.12.3 To consider actions involving personnel, pending or threatened litigation, contract negotiations, enforcement actions, confidential communications with the property owners' association's attorney, matters involving the invasion of privacy of individual owners, or matters that are to remain confidential by request of the affected parties and agreement of the board.
- 2.7.12.4 At the end of the executive session, the board must return to the open meeting and summarize orally the general nature of the business that was considered in executive session. Any vote, act, or decision that would have been made in executive session (but for this requirement) must be made in the open meeting.

2.7.13 Development Period Board Meetings. This section 2.7 applies to a meeting of the board during the development period only if the meeting is conducted for the purpose of (1) adopting or amending the governing documents, including declarations, bylaws, rules, and regulations of the association; (2) increasing the amount of regular assessments of the association or adopting or increasing a special assessment; (3) electing non-developer board members of the association or establishing a process by which those members are elected; or (4) changing the voting rights of members of the association.

2.8 ACTION WITHOUT MEETING OR TELEPHONIC MEETING. A board may meet by any method of communication, including electronic and telephonic, without prior notice to owners, if each director may hear and be heard by every other director, or the board may take action by unanimous written consent to consider routine and administrative matters or a reasonably unforeseen emergency or urgent necessity that requires immediate board action. Any action taken without notice to owners under Subsection (e) must be summarized orally, including an explanation of any known actual or estimated expenditures approved at the meeting, and documented in the minutes of the next regular or special board meeting. The board may not, without prior notice to owners under Subsection (e), consider or vote on: (1) fines; (2) damage assessments; (3) initiation of foreclosure actions; (4) initiation of enforcement actions, excluding temporary restraining orders or violations involving a threat to health or safety; (5) increases in assessments; (6) levying of special assessments; (7) appeals from a denial of architectural control approval; or (8) a suspension of a right of a particular owner before the owner has an opportunity to attend a board meeting to present the owner's position, including any defense, on the issue. If at least a majority of the directors, individually or collectively, consent in writing to such action, the written consents have the same force and effect as approval by a majority of the directors at a meeting. Prompt notice of the action so approved must be delivered to each non-consenting director..

2.9 POWERS AND DUTIES. The board has all the powers and duties necessary for the administration of the Association and for the operation and maintenance of the Property. The board may do all acts and things except those which, by applicable law or the Governing Documents, are reserved to the members and may not be delegated to the board. Without prejudice to the general and specific powers and duties set forth in applicable law or the Governing Documents, or powers and duties as may hereafter be imposed on the board by resolution of the Association, the powers and duties of the board include, but are not limited to, the following:

2.9.1 Appointment of Committees. The board, by resolution, may from time to time designate standing or ad hoc committees to advise or assist the board with its responsibilities. The resolution may establish the purposes and powers of the committee created, provide for the appointment of a chair and committee members, and may provide for reports, termination, and other administrative matters deemed appropriate by the board. Members of committees will be appointed from among the owners and residents. The board may not appoint a committee to act in its place in managing the affairs of the Association.

2.9.2 Manager. The board may employ a manager or managing agent for the Association, at a compensation established by the board, to perform duties and services authorized by the board.

2.10 EMERGENCIES. In the throes of a dire emergency, leaders of the Association may find themselves responding to the emergency without benefit of consulting these Bylaws. One purpose of this Section is to encourage directors to do what is necessary under certain circumstances to protect health, life, and property within The Enclave at the Lakes of Prosper. Another purpose is to insulate responsive directors from later claims that they failed to adhere to the formalities for board meetings and notices that are fundamental to decision-making within the Association.

2.10.1 Types. For purposes of these Bylaws, there are two categories of emergencies - public emergencies, and private emergencies. As a general rule, if the directors are divided or uncertain as to whether a circumstance arises to the level of an emergency, as defined

below, the situation is not an emergency. The board may not declare an emergency for the purpose of evading the meeting and notice requirements of these Bylaws.

2.10.1.1 A "**public emergency**" is when a local, state, or national government or governmental entity declares a disaster, catastrophe, state of emergency, or state of war in the area in which the Property is located, or if imminent or actual conditions in the area in which the Property is located are of a type and magnitude for which a local, state, or national government or governmental entity may be expected to declare a disaster, catastrophe, or state of emergency, whether or not the declaration is made. To illustrate, an earthquake that ruptures utility lines, makes roads impassable, and causes buildings to collapse is a public emergency.

2.10.1.2 A "**private emergency**" is when a condition within or around the Property or a situation to which the Association is a party presents an imminent and substantial threat to health, life, or property of a magnitude that warrants immediate action, although the condition or situation does not rise to the level of a public emergency. Examples of private emergencies are an overturned truck carrying toxic waste, or an Enclave at the Lakes of Prosper resident or worker diagnosed with a lethal and highly contagious disease.

2.10.2 Emergency Board Meetings. For the sole purpose of responding to a public or private emergency, the board may convene an emergency board meeting after making a diligent attempt to notify each director and officer by any practical method, without formal notice to the directors or members. At such emergency board meeting, the directors participating constitute a quorum. The directors who participate in the emergency board meeting will make a record of their meeting and the decisions made, for inclusion with the minutes of the next regular or special meeting of the board.

2.10.3 Emergency Powers. In anticipation of, during, or in the aftermath of a public or private emergency, the officers, directors, employees, and agents of the Association - collectively or individually - may take or authorize any action they deem necessary to protect health, lives, and property within The Enclave at the Lakes of Prosper for so long as emergency conditions exist. A decision or action made in good faith under emergency conditions and for the sole purpose of dealing with the emergency may not be used to impose liability on an officer, director, employee, or agent of the Association.

2.11 FIDELITY BONDS. Any person handling or responsible for Association funds, including officers, agents, and employees of the Association, must furnish adequate fidelity bonds. The premiums on the bonds may be a common expense of the Association.

ARTICLE III **OFFICERS**

3.1 DESIGNATION. The principal officers of the Association are the president, the vice-president, the secretary, and the treasurer. The board may appoint one or more vice-presidents and other officers and assistant officers as it deems necessary. The president and secretary must be

directors. Other officers may, but need not, be members or directors. Any two offices may be held by the same person, except the offices of president and secretary. If an officer is absent or unable to act, the board may appoint a director or a committee to perform the duties of that officer and to act in place of that officer, on an interim basis.

3.2 ELECTION OF OFFICERS. The officers are elected no less than annually by the directors at the organizational meeting of the board and hold office at the pleasure of the board. Except for resignation or removal, officers hold office until their respective successors have been designated by the board.

3.3 REMOVAL AND RESIGNATION OF OFFICERS. A majority of directors may remove any officer, with or without cause, at any regular meeting of the board or at any special meeting of the board called for that purpose. A successor may be elected at any regular or special meeting of the board called for that purpose. An officer may resign at any time by giving written notice to the board. Unless the notice of resignation states otherwise, it is effective when received by the board and does not require acceptance by the board. The resignation or removal of an officer who is also a director does not constitute resignation or removal from the board.

3.4 DESCRIPTION OF PRINCIPAL OFFICES.

3.4.1 President. As the chief executive officer of the Association, the president: presides at all meetings of the Association and of the board; has all the general powers and duties which are usually vested in the office of president of an organization; has general supervision, direction, and control of the business of the Association, subject to the control of the board; and sees that all orders and resolutions of the board are carried into effect.

3.4.2 Vice-President. The vice-president acts in place of the president in event of the president's absence, inability, or refusal to act. The vice-president also exercises and discharges any duty required of the vice-president by the board.

3.4.3 Secretary. The secretary: keeps the minutes of all meetings of the board and of the Association; has charge of such books, papers, and records as the board may direct; maintains a record of the names and addresses of the members for the mailing of notices; and in general, performs all duties incident to the office of secretary.

3.4.4 Treasurer. The treasurer: is responsible for Association funds; keeps full and accurate financial records and books of account showing all receipts and disbursements; prepares all required financial data and tax returns; deposits all monies or other valuable effects in the name of the Association in depositories as may from time to time be designated by the board; prepares the annual and supplemental budgets of the Association; reviews the accounts of the managing agent on a monthly basis in the event a managing agent is responsible for collecting and disbursing Association funds; and performs all the duties incident to the office of treasurer.

3.5 AUTHORIZED AGENTS. Except when the Governing Documents require execution of certain instruments by certain individuals, the board may authorize any person to execute instruments on behalf of the Association. In the absence of board designation, the president and the secretary are the only persons authorized to execute instruments on behalf of the Association.

ARTICLE IV STANDARDS

4.1 **SEPARATE LIABILITY.** The Association is a legal entity separate from its members for the purposes of determining and enforcing rights, duties, and liabilities in contract and tort. Members, directors, and officers of the Association are not personally and individually liable for the Association's breach of a contract or for the Association's tort or omission merely because they are members, directors, or officers of the Association. A member has the right to assert a claim against the Association, and the Association has the right to assert a claim against a member.

4.2 **GENERAL STANDARDS.** The general standards of duty for an officer or director of the Association are the State's standards for officers and directors of a nonprofit corporation, as stated in the Code as it may be amended. On the date of this document, Sections 22.221 and 22.235 of the Code provide the following standards:

4.2.1 A director will discharge the director's duties in good faith, with ordinary care, and in a manner the director reasonably believes to be in the best interest of the Association.

4.2.2 An officer or director is not liable to the Association, its members, or another person for an action taken or not taken as a director if the director acted in compliance with the above-stated standard for discharging duties. A person seeking to establish liability of an officer or director must prove that the officer or director did not act in good faith, with ordinary care, and in a manner the officer or director reasonably believed to be in the best interests of the Association.

4.3 **RELIANCE.** An officer or director may rely on information prepared or presented by an officer or employee of the Association, an attorney licensed by the State of Texas, a certified public accountant, an investment banker, or a person whom the officer or director reasonably believes to possess professional expertise in the matter, and in the case of a director, a committee of the Association of which the director is not a member. Such reliance must be exercised in good faith and with ordinary care. An officer or director may not rely on such information if he has actual knowledge that makes the reliance unwarranted.

4.4 **COMPENSATION.** Except as permitted below, a director, officer, member, or resident is not entitled to receive financial or monetary profit from the operation of the Association, and no funds or assets of the Association may be paid as salary or compensation to, or be distributed to, or inure to the benefit of a director, officer, member, or resident. Nevertheless,

4.4.1 Reasonable compensation may be paid to a director, officer, member, or resident for services rendered to the Association in other capacities.

4.4.2 A director, officer, member, or resident may, from time to time, be reimbursed for his actual and reasonable expenses incurred on behalf of the Association in connection with the administration of the affairs of the Association, provided the expense has been approved by the board.

4.4.3 The board may budget and use Association funds to purchase awards, certificates, a celebratory meal, or other customary tokens or demonstrations of appreciation for volunteer activities.

4.4.4 This Section does not apply to distributions to lot owners permitted or required by the Declaration, applicable law, or a court order.

4.5 LOANS. The Association may not loan money to or guaranty a loan for an officer or director of the Association.

4.6 CONFLICT OF INTERESTS. If a contract or transaction is fair to the Association, it is not disallowed merely because an officer, director, or member of the Association has a financial interest in the transaction, provided the "interested" officer, director, or member fully and accurately discloses the nature of his interest to the board in a manner that is timely for the board's consideration of the contract or transaction, and the "interested" officer or director does not participate in the vote to approve the contract or transaction, although the "interested" director may be counted toward a quorum at the meeting. Nothing in this Section may be construed to prevent the board from adopting policies and procedures that are more stringent than the requirements of this Section, or of applicable law, such as Sections 1.003, 1.004, and 22.230 of the Code.

ARTICLE V

MEETINGS OF THE ASSOCIATION

5.1 ANNUAL MEETING. An annual meeting of the Association must be held during the first quarter of each calendar year. At annual meetings the members will elect directors in accordance with these Bylaws and may transact such other business of the Association as may properly come before them.

5.2 SPECIAL MEETINGS. It is the duty of the president to call a special meeting of the Association if directed to do so by a majority of the board or by one or more petitions signed by owners of at least 20 percent of the lots in the Property. If the petition process is used, petitions may be in any form that is customary for the time. The board may not require a specific form of petition, nor require that the petition be offered to every member of the Association. Signatures on petitions need not be notarized or witnessed. An electronic or faxed petition is acceptable if the "signer's" identity is reasonably discernible.

5.3 PLACE OF MEETINGS. Meetings of the Association may be held at the Property or at a suitable place convenient to the members, as determined by the board.

5.4 NOTICE OF MEETINGS. Members shall be given notice of the date, hour, place, and general subject of a regular or special Association meeting. The notice shall be (1) mailed to each property owner not later than the 10th day or earlier than the 60th day before the date of the meeting; or (2) provided at least 72 hours before the start of the meeting by: (A) posting the notice in a conspicuous manner reasonably designed to provide notice to property owners' association members: (i) in a place located on the association's common property or, with the property owner's consent, on other conspicuously located privately owned property within the subdivision; or (ii) on any Internet website maintained by the association or other Internet media; and (B) sending the notice by e-mail to each owner who has registered an e-mail address with the association. It is an owner's duty to keep an updated e-mail address registered with the property owners' association.

5.5 RECORD DATE. Before each meeting of the Association, the board will establish a list of all members for purposes of receiving a meeting notice. The "cut off" date on which these lists are based is referred to in the Code as the "Record Date." The Record Date for an Association meeting for which notice is given is 10 calendar days before the date the notice is distributed or published to the members. The Record Date for an Association meeting for which no notice is given is 45 calendar days before the meeting.

Every member may attend and vote at Association meetings.

5.6 ELIGIBILITY. Every member is entitled to receive notice of Association meetings, to attend Association meetings, to be counted towards a quorum, and vote.

5.6.1 Meeting Notice. An owner of each lot in the Property as of the Record Date is eligible to receive notices of meetings of the Association. Because the ownership of lots may change during a year, the ownership as of the Record Date is used to produce the membership list for use in connection with the meeting.

5.6.2 Voting. The board may not disqualify owners with delinquent accounts, and must allow all owners to vote regardless of arrearages.

5.7 QUORUM. At any meeting of the Association, the presence in person or by proxy of owners of at least 20 percent of the lots in the Property constitutes a quorum. Members present at a meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal, during the course of the meeting, of members constituting a quorum.

5.8 LACK OF QUORUM. If a quorum is not present at any meeting of the Association for which proper notice was given, members representing at least a majority of the votes present at the meeting, although not constituting a quorum, may vote to recess the meeting for not more than 24 hours in order to attain a quorum, provided the place of the meeting remains as stated in the notice. If the meeting is adjourned without attainment of a quorum, notice of a new meeting for the same purposes within 15 to 30 days may be given to an owner of each lot, at which re-called meeting the quorum requirement is lowered to two-thirds of the number of lots required for the first call of the meeting.

5.9 VOTES. The vote of members representing at least a majority of the votes cast at any meeting at which a quorum is present binds all members for all purposes, except when a higher percentage is required by these Bylaws, the Declaration, or by applicable law. Cumulative voting is prohibited.

5.9.1 Co-Owned Lots. If a lot is owned by more than one member, the vote appurtenant to that lot is cast as follows. If only one of the multiple owners of a lot is present at a meeting of the Association, that person may cast the vote allocated to that lot. If more than one of the multiple owners is present, the vote allocated to that lot may be cast only in accordance with the owners' unanimous agreement. Multiple owners are in unanimous agreement if one of the multiple owners casts the vote allocated to a lot and none of the other owners makes prompt protest to the person presiding over the meeting.

5.9.2 Entity-Owned Lots. If a lot is owned by an entity, such as a corporation or partnership, the vote appurtenant to that lot may be cast by any officer, manager, or partner of

the entity in the absence of the entity's written appointment of a specific person to exercise its vote. The person presiding over a meeting or vote may require reasonable evidence that a person voting on behalf of an entity is qualified to vote.

5.9.3 Association-Owned Lots. Votes allocated to a lot owned by the Association may be counted towards a quorum only, and may not be voted.

5.9.4 Lots Owned by Declarant or Builders. Appendix C of the Declaration may establish different voting rights during the Development Period.

5.10 VOTING. The voting rights of an owner may be cast or given (1) in person or by proxy at a meeting of the property owners' association; (2) by absentee ballot as addressed herein; (3) by electronic ballot as addressed herein; or (4) by any method of representative or delegated voting provided by a dedicatory instrument.

5.10.1 An absentee or electronic ballot (1) may be counted as an owner present and voting for the purpose of establishing a quorum only for items appearing on the ballot; (2) may not be counted, even if properly delivered, if the owner attends any meeting to vote in person, so that any vote cast at a meeting by a property owner supersedes any vote submitted by absentee or electronic ballot previously submitted for that proposal; and (3) may not be counted on the final vote of a proposal if the motion was amended at the meeting to be different from the exact language on the absentee or electronic ballot.

5.10.2 A solicitation for votes by absentee ballot must include (1) an absentee ballot that contains each proposed action and provides an opportunity to vote for or against each proposed action; (2) instructions for delivery of the completed absentee ballot, including the delivery location; and (3) 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."

5.10.3 "Electronic ballot" means a ballot (1) given by (A) e-mail; (B) facsimile; or (C) posting on an Internet website; (2) for which the identity of the property owner submitting the ballot can be confirmed; and (3) for which the property owner may receive a receipt of the electronic transmission and receipt of the owner's ballot.

5.10.4 If an electronic ballot is posted on an Internet website, a notice of the posting shall be sent to each owner that contains instructions on obtaining access to the posting on the website.

5.11 PARTICIPATION. A member participates in an Association meeting as addressed in the preceding section unless the member participates for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

5.12 PROXIES. To be valid, each proxy must be signed and dated by a member or his attorney-in-fact; identify the lot to which the vote is appurtenant; designate the person or position (such as

"presiding officer") in favor of whom the proxy is granted, such person having agreed to exercise the proxy; identify the meeting for which the proxy is given; not purport to be revocable without notice; and be delivered to the secretary, to the person presiding over the Association meeting for which the proxy is designated, or to a person or company designated by the board. Unless the proxy specifies a shorter or longer time, it terminates 11 months after the date of its execution. Perpetual or self-renewing proxies are permitted, provided they are revocable. To revoke a proxy, the granting member must give actual notice of revocation to the person presiding over the Association meeting for which the proxy is designated. Unless revoked, any proxy designated for a meeting which is adjourned, recessed, or rescheduled is valid when the meeting reconvenes. A proxy delivered by email or by fax may be counted if any of the following occurs: (1) the proxy's authenticity can be confirmed to the reasonable satisfaction of the board, (2) the proxy has been acknowledged or sworn to by the member, before and certified by an officer authorized to take acknowledgments and oaths, or (3) the Association also receives the original proxy within 5 days after the vote.

5.13 CONDUCT OF MEETINGS. The president, or any person designated by the board, presides over meetings of the Association. The secretary keeps, or causes to be kept, the minutes of the meeting which should record all resolutions adopted and all transactions occurring at the meeting, as well as a record of any votes taken at the meeting. The person presiding over the meeting may appoint a parliamentarian. The then current edition of Robert's Rules of Order governs the conduct of meetings of the Association when not in conflict with the Governing Documents.

5.14 ORDER OF BUSINESS. Unless the notice of meeting states otherwise, or the assembly adopts a different agenda at the meeting, the order of business at meetings of the Association is as follows:

- Determine votes present by roll call or check-in procedure
- Announcement of quorum
- Proof of notice of meeting
- Approval of minutes of preceding meeting
- Reports
- Election of directors (when required)
- Unfinished or old business
- New business

5.15 ADJOURNMENT OF MEETING. At any meeting of the Association, a majority of the members present at that meeting, either in person or by proxy, may adjourn the meeting to another time and place.

5.16 ACTION WITHOUT MEETING. Subject to board approval, any action which may be taken by a vote of the members at a meeting of the Association may also be taken without a meeting by written consents. The board may permit members to vote by ballots delivered by any method allowed by these Bylaws or applicable law. Written consents by members representing at least a majority of votes in the Association, or such higher percentage as may be required by the Governing Documents, constitutes approval by written consent. This Section may not be used to avoid the requirement of an annual meeting.

5.17 MEETINGS BY REMOTE COMMUNICATIONS. Members of the Association may participate in and hold meetings of the Association by means of electronic town halls, conference telephone or similar communications equipment by means of which all persons participating in the

meeting can communicate concurrently. Participation in the meeting constitutes presence in person at the meeting, except where 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. By acquiring an interest in a lot, each owner automatically consents to the use of communication technology to effect meetings of the Association, provided the owners of at least 85 percent of the lots in the Property have access to the form of technology chosen by the board, and further provided that the Association arranges a place or method of participation for those who do not have the technology.

5.18 VOTE TABULATION AND RECOUNTS

5.18.1.1 A person who is a candidate in an Association election or who is otherwise the subject of an Association vote, or a person related to that person within the third degree by consanguinity or affinity, as determined under Chapter 573, Government Code, may not tabulate or otherwise be given access to the ballots cast in that election or vote except as provided in this section 5.18.

5.18.1.2 A person other than a person described in subsection 5.18.1 may tabulate votes in an association election or vote but may not disclose to any other person how an individual voted.

5.18.1.3 A person other than a person who tabulates votes under subsection 5.18.2, including a person described by subsection 5.18.1, may be given access to the ballots cast in the election or vote only as part of a recount process authorized by law.

5.18.1.4 Any owner may, not later than the 15th day after the date of the Association meeting at which the election was held, require a recount of the votes, in accordance with Section 209.0057 of the Texas Property Code.

ARTICLE VI **RULES**

6.1 **RULES**. The board has the right to establish and amend, from time to time, reasonable rules and regulations for: the administration of the Association and the Governing Documents; the maintenance, management, operation, use, conservation, and beautification of the Property; and the health, comfort, and general welfare of the residents; provided, however, that such rules may not be in conflict with applicable law or the Governing Documents. The board will, at all times, maintain the then current and complete rules in a written form which can be copied and distributed to the members.

6.2 **ADOPTION AND AMENDMENT**. Any rule may be adopted, amended, or terminated by the board, provided that the rule and the requisite board approval are properly recorded as a resolution in the minutes of the meeting of the board.

6.3 **NOTICE AND COMMENT**. At least 10 days before the effective date, the board will give written notice to an owner of each lot of any amendment, termination, or adoption of a rule, or will publish same in a newsletter, on the Association's website, or in any form or medium that is circulated or available to the members. The board may, but is not required to, give similar notice to

residents who are not members. Any member or resident so notified has the right to comment orally or in writing to the board on the proposed action.

6.4 DISTRIBUTION. On request from any member or resident, the board will provide a current and complete copy of rules. Additionally, the board will, from time to time, distribute copies of the current and complete rules to owners and, if the board so chooses, to non-member residents.

ARTICLE VII **ENFORCEMENT**

7.1 ACTIONS REQUIRING NOTICE AND HEARING. Before taking any of the below-described actions, the Association must give written notice and an opportunity for a hearing according to the requirements of this Article and the notice and hearing requirements of applicable law, such as Chapter 209 Texas Property Code. To the extent a mandatory provision of Chapter 209 Texas Property Code conflicts with this Article, Chapter 209 Texas Property Code controls. The following actions by or with the approval of the board, the Association, or the Architectural Reviewer, require notice and hearing as provided by this Article:

7.1.1 Suspension of use of a common area.

7.1.2 Imposition of a fine for violation of any provision of the Governing Documents, other than fines, interest, or collection fees charged for delinquent accounts.

7.1.3 Charging an owner or a lot for property damage.

7.1.4 Filing suit against an owner other than a suit related to the collection of assessments or foreclosure of the Association's assessment lien.

7.2 NOTICE. The required written notice must contain the date the violation notice is prepared or mailed; a statement that not later than the 30th day after the date the owner receives the notice, the owner may request a hearing to discuss and verify facts and resolve the matter in issue, pursuant to this Article and applicable law, such as Section 209.007 Texas Property Code; a statement of how or where the request for hearing should be made or delivered; a statement that if the hearing is before a committee or any body other than the board, the owner has the right to appeal the decision to the board by written notice to the board; a statement that the owner may be liable for reimbursement of attorneys fees and costs if the violation continues or the damage is not paid by a stated date; and the following contents applicable to violations or damage claims, as the case may be:

7.2.1 Notice of Violation. In the case of a violation of a provision of the Governing Documents, the written notice must also contain the following: a description of the violation; a reference to the rule or provision of the Governing Documents that is being violated, if applicable; a description of the action required to cure the violation; the amount of the fine or charge to be levied, the nature of the common area suspension, and/or the abatement action to be taken; unless the owner was given notice and a reasonable opportunity to cure a similar violation within the preceding 6 months, a statement that the owner may avoid the fine or suspension by curing the violation in a reasonable period of time, which may be specified in the notice.

7.2.2 Notice of Damage. In the case of property damage for which the Association seeks reimbursement or imposition of a charge on the owner or the lot, the written notice must also contain a description of the property damage and the amount of the Association's claim against the owner or the lot.

7.2.3 Notice to Resident. In addition to giving the violation notice to the owner, the board may also give a copy of the notice to the non-owner resident, if the board deems it appropriate.

7.2.4 Receipt of Notice. Unless applicable law provides otherwise, any notice given to an owner pursuant to this Article will be deemed received by the owner on personal delivery to the owner or to a person at the owner's address, or on the third business day after the notice is deposited with the U.S. Postal Service, addressed to the owner at the most recent address shown on the Association's records, whether or not the owner actually receives the notice.

7.3 HEARING.

7.3.1 Request for Hearing. To request a hearing, an owner must submit a written request within 30 days after receiving the Association's written notice. Within 10 days after receiving the owner's request for a hearing, and at least 10 days before the hearing date, the Association will give the owner notice of the date, time, and place of the hearing. If the Association or the owner requests a postponement of the hearing, the hearing will be postponed for up to 10 days. Additional postponements may be granted by agreement of the parties.

7.3.2 Pending Hearing. Pending the hearing, the board may continue to exercise the Association's other rights and remedies for the violation, as if the declared violation were valid. The owner's request for a hearing suspends only the action described in the Association's written notice.

7.3.3 Attendance. The hearing may be held with or without the presence of the owner or the owner's representative.

7.3.4 Hearing. The hearing may be held in a closed or executive session of the board. At the hearing, the board will consider the facts and circumstances surrounding the violation. The owner may attend the hearing in person, or may be represented by another person or written communication.

7.3.5 Minutes of Hearing. The minutes of the hearing must contain a statement of the results of the hearing and the amount of fine or charge, if any, imposed, or abatement or suspension action, if any, authorized. A copy of the notice and request for hearing should be placed in the minutes of the hearing. If the owner appears at the hearing, the notice requirement will be deemed satisfied.

7.4 ACTIONS EXEMPT FROM NOTICE AND HEARING REQUIREMENTS. As a general rule, every action other than the above-described actions requiring notice and hearing are impliedly exempt from the requirements of this Article. As permitted by applicable law, such as Section 209.007 of Texas Property Code, the following actions are expressly exempt:

7.4.1 A temporary suspension of a person's right to use common areas if the temporary suspension is the result of a violation that occurred in a common area and involved a significant and immediate risk of harm to others in the Property. The temporary suspension is effective until the board makes a final determination on the suspension action after following the notice and hearing procedures prescribed by this Article.

7.4.2 A lawsuit in which the Association seeks a temporary restraining order or temporary injunctive relief.

7.4.3 A lawsuit filed by the Association that includes foreclosure as a cause of action.

7.4.4 The collection of delinquent assessments.

7.5 IMPOSITION OF FINE. Within 30 days after levying the fine or authorizing the abatement, the board must give the owner notice of the levied fine or abatement action. If the fine or action is announced at the hearing at which the owner is actually present, the notice requirement will be satisfied. Otherwise, the notice must be in writing.

7.5.1 Amount. The board may set fine amounts on a case by case basis, provided the fine is reasonable in light of the nature, frequency, and effects of the violation. The board may establish a schedule of fines for certain types of violations. The amount and cumulative total of a fine must be reasonable in comparison to the violation. If the board allows fines to accumulate, it may establish a maximum amount for a particular fine, at which point the total fine will be capped.

7.5.2 Type of Fine. If the violation is ongoing or continuous, the fine may be levied on a periodic basis (such as daily, weekly, or monthly). If the violation is not ongoing, but is instead sporadic or periodic, the fine may be levied on a per occurrence basis.

7.5.3 Other Fine-Related. The Association is not entitled to collect a fine from an owner to whom it has not given notice and an opportunity to be heard. The Association may not charge interest on unpaid fines. The Association may not foreclose its assessment lien on a debt consisting solely of fines. The board may adopt a collection policy that applies owners' payments to unpaid fines before retiring other types of assessments.

7.6 REIMBURSEMENT OF EXPENSES AND LEGAL FEES. In addition to any other rights set forth in the Governing Documents for violation of a provision of the Governing Documents, the board may levy and collect individual assessments for reimbursement of reasonable fees and expenses, including without limitation legal fees, incurred by the Association to enforce the Governing Documents, including the collection of delinquent assessments, subject to the following conditions:

7.6.1 Notice. The Association must give the owner written notice that the owner will be liable for reimbursement of any such fees and expenses incurred by the Association if the delinquency or violation continues after a date certain that is stated in the notice. This notice requirement does not apply to legal fees incurred by the Association in connection with the Association's counterclaim in a lawsuit to which an owner is a plaintiff.

7.6.2 Hearing. If legal fees are incurred by the Association for an action requiring notice and hearing, the owner is not liable for reimbursement of legal fees incurred before the date by which the owner must request a hearing, if the owner does not request a hearing, or before conclusion of the hearing, if the owner does request a hearing.

7.6.3 Records. By written request, an owner may obtain from the Association copies of any invoices for charges, including legal fees, for which the Association seeks reimbursement.

7.6.4 Foreclosure. In connection with a nonjudicial foreclosure of the Association's assessment lien, applicable law, such as Chapter 209 of the Texas Property Code, may establish a limit for the amount of attorneys fees that the Association may include in its lien.

7.7 ADDITIONAL ENFORCEMENT RIGHTS. Notwithstanding the notice and hearing requirement, the board may take immediate and appropriate action, without giving the notices required in this Article, against violations of the Governing Documents which, in the board's opinion, are self-evident, such as vehicles parked illegally or in violation of posted signs; threatening to life or property; or repeat violations of the same provision by the same owner to whom prior notices and demands have been given for the same violation. Further, the provisions of this Article do not apply to specific remedies provided in the Governing Documents for certain violations, such as nonpayment of assessments.

ARTICLE VIII

OBLIGATIONS OF THE OWNERS

8.1 NOTICE OF SALE. Any owner intending to sell or convey his lot or any interest therein must give written notice to the board of his intention, together with the address or legal description of the lot being conveyed, the name and address of the intended purchaser, the name, address, and phone number of the title company or attorney designated to close the transaction, names and phone numbers of real estate agents, if any, representing seller and purchaser, and scheduled date of closing. An owner will furnish this information to the board at least 10 business days before the scheduled date of closing or conveyance. The requirements of this Section may be satisfied by giving the Association a copy of an accepted resale contract in connection with the owner's request to the Association for a resale certificate.

8.2 PROOF OF OWNERSHIP. Except for those owners who initially purchase a lot from Declarant, any person, on becoming an owner of a lot, must furnish to the board evidence of ownership in the lot, which copy will remain in the files of the Association. A copy of the recorded deed is the customary evidence. The Association may refuse to recognize a person as a member unless this requirement is first met. This requirement may be satisfied by receipt of a board-approved form that is completed and acknowledged by a title company or attorney at time of conveyance of the lot or any interest therein.

8.3 OWNERS' INFORMATION. Within 30 days after acquiring an ownership interest in a lot, the owner must provide the Association with the owner's mailing address, telephone number, and driver's license number, if any; the name and telephone number of any resident other than the owner; and the name, address, and telephone number of any person managing the lot as agent of the lot owner. An owner must notify the Association within 30 days after he has notice of a change in any information required by this Section, and must provide the information on request by the Association from time to time.

8.4 MAILING ADDRESS. The owner or the several co-owners of a lot must register and maintain one mailing address to be used by the Association for mailing of notices, demands, and all other communications. If an owner fails to maintain a current mailing address with the Association, the address of the owner's lot is deemed to be his mailing address.

8.5 REGISTRATION OF MORTGAGEES. Within 30 days after granting a lien against his lot, the owner must provide the Association with the name and address of the holder of the lien and the loan number. The owner must notify the Association within 30 days after he has notice of a change in the information required by this Section. Also, the owner will provide the information on request by the Association from time to time.

8.6 ASSESSMENTS. All owners are obligated to pay assessments imposed by the Association to meet the common expenses as defined in the Declaration. A member is deemed to be in good standing and entitled to vote at any meeting of the Association if he is current in the assessments made or levied against him and his lot.

8.7 COMPLIANCE WITH DOCUMENTS. Each owner will comply with the provisions and terms of the Governing Documents, and any amendments thereto. Further, each owner will always endeavor to observe and promote the cooperative purposes for which the Property was established.

ARTICLE IX

ASSOCIATION RECORDS

9.1 INSPECTION OF BOOKS AND RECORDS. The association shall make the books and records of the association, including financial records, open to and reasonably available for examination by an owner, or a person designated in a writing signed by the owner as the owner's agent, attorney, or certified public accountant, in accordance with this section. An owner is entitled to obtain from the association copies of information contained in the books and records.

9.1.1 Exempt Records. Except as provided by this section, an attorney's files and records relating to the property owners' association, excluding invoices requested by an owner under Texas Property Code Section 209.008(d), are not records of the association and are not subject to inspection by the owner or production in a legal proceeding. If a document in an attorney's files and records relating to the association would be responsive to a legally authorized request to inspect or copy association documents, the document shall be produced by using the copy from the attorney's files and records if the association has not maintained a separate copy of the document. This subsection does not require production of a document that constitutes attorney work product or that is privileged as an attorney-client communication.

9.1.2 Request. An owner or the owner's authorized representative described above must submit a written request for access or information to the records by certified mail, with sufficient detail describing the property owners' association's books and records requested, to the mailing address of the association or authorized representative as reflected on the most current management certificate filed by the Association. The request must contain an election either to inspect the books and records before obtaining copies or to have the property owners' association forward copies of the requested books and records and:

9.1.2.1 if an inspection is requested, the association, on or before the 10th business day after the date the association receives the request, shall send written notice of dates during normal business hours that the owner may inspect the requested books and records to the extent those books and records are in the possession, custody, or control of the association; or

9.1.2.2 if copies of identified books and records are requested, the association shall, to the extent those books and records are in the possession, custody, or control of the association, produce the requested books and records for the requesting party on or before the 10th business day after the date the association receives the request, except as otherwise provided by this section.

9.1.3 Response. If the property owners' association is unable to produce the books or records requested under Subsection 9.1.2 on or before the 10th business day after the date the association receives the request, the association must provide to the requestor written notice that:

9.1.3.1 informs the requestor that the association is unable to produce the information on or before the 10th business day after the date the association received the request; and

9.1.3.2 states a date by which the information will be sent or made available for inspection to the requesting party that is not later than the 15th business day after the date notice under this subsection is given.

9.1.4 Inspection Location. If an inspection is requested or required, the inspection shall take place at a mutually agreed on time during normal business hours, and the requesting party shall identify the books and records for the property owners' association to copy and forward to the requesting party.

9.1.5 A property owners' association may produce books and records requested under this section in hard copy, electronic, or other format reasonably available to the association.

9.1.6 Books and records of the Association will be made available for inspection and copying pursuant to the Open Records Policy attached hereto as Exhibit A.

9.1.7 Books and records of the Association will be retained in accordance with the Records Retention Policy attached hereto as Exhibit B.

9.2 RESALE CERTIFICATES. Any officer may prepare, or cause to be prepared, assessment estoppel certificates or resale certificates pursuant to applicable law, such as Chapter 207 of the Texas Property Code, titled Disclosure of Information by Property Owners Association. The Association may charge a reasonable fee for preparing such certificates, and may refuse to furnish such certificates until the fee is paid. Any unpaid fees may be assessed against the lot for which the certificate is furnished. The Association may delegate the responsibility for a resale certificate to its managing agent, if any.

9.3 MANAGEMENT CERTIFICATE. As required by applicable law, such as Section 209.004 of the Texas Property Code, the Association will maintain a current management certificate in the county's public records. When the Association has notice of a change in any information in the

recorded certificate, the Association will prepare a restated or amended certificate and deliver it to the county clerk for filing. Absent gross negligence, the Association is not liable for a delay or failure to record a certificate. The Association may delegate the responsibility for a management certificate to its managing agent, if any.

9.4 MEMBERSHIP LIST. The board must maintain a comprehensive list of Association members for compliance with the Code as well as the Governing Documents. The Association must make the membership list available to any owner on written request, and may charge a reasonable fee for cost of copying and delivering the owners list.

9.4.1 Types of Information. At a minimum, the Association must maintain for each lot the name and mailing address of at least one owner, and a description of the lot owned (if different from the mailing address). The Association may also maintain, as an Association record, additional contact information for owners, such as phone numbers, fax numbers, email addresses, places of employment, emergency contact information, mortgage information, and any other items of information provided by owners or obtained by the Association.

9.4.2 Source of Ownership Information. In compiling the ownership or membership list, the Association may rely on any combination of public records, such as tax rolls, documentation provided by title insurance companies, self-reporting by owners and residents, and any other reasonably reliable and customary source of ownership information. The requirement of maintaining ownership records may not be construed to require the Association to affirmatively investigate or research title to a lot.

9.4.3 Information Available to Members. Membership information to be maintained by the Association is similar to what is typically available to the public on the website of the appraisal district, and may not be considered confidential, private, or protected information as between the Association and its members. Neither the Association nor a member of the Association may sell or otherwise market the Association's membership information without the express prior consent of the owners. Each owner, by acquiring an ownership interest in a lot, acknowledges that the owner's contact information is a record of the Association that is available to all members of the Association.

9.4.4 Inspection List. In accordance with applicable law, the Association will prepare a list of owners of all lots in the Property for inspection by the members prior to the meeting. The purpose of the list is to enable members to communicate with each other about the meeting. The inspection list must be available for inspection by the members from the second business day after the date notice of the meeting is given until adjournment of the meeting for which it was prepared. The list may be inspected or copied by an owner or the owner's attorney or agent. The inspection list must have the following characteristics:

- 9.4.4.1 The list must be in alphabetical order of owners' surnames, or in numerical order of street addresses.
- 9.4.4.2 The list must contain the name of at least one owner of each lot, or an indication that the current ownership cannot be determined and the identify of the last known owner.

- 9.4.4.3 The list must contain an address for each member.
- 9.4.4.4 The list must identify how many lots are owned by each owner, if that cannot otherwise be determined from the list.
- 9.4.4.5 If all lots do not have uniform votes, such as lots owned by Declarant during the Declarant Control Period, the list must identify the number or weight of votes attached to each lot.

ARTICLE X

NOTICES

10.1 **CO-OWNERS.** If a lot is owned by more than one person, notice to one co-owner is deemed notice to all co-owners. Similarly, notice to one resident of a lot is deemed notice to all residents of the lot.

10.2 **DELIVERY OF NOTICES.** Any written notice required or permitted by these Bylaws may be given personally, by mail, by fax, by email, or by any other method permitted by applicable law, such as the Texas Business Organizations Code. If mailed, the notice is deemed delivered when deposited in the U.S. mail addressed to the member at the address shown on the Association's records. If transmitted by fax or email, the notice is deemed delivered on successful transmission of the facsimile or electronic correspondence. The notice must be sent to the party's last known address as it appears on the records of the Association at the time of transmission. If an owner fails to give the Association an effective address, the notice may be sent to the address of the owner's lot and/or to the owner's address shown on the then-current property tax rolls for the lot. If the Association properly transmits the notice, the owner is deemed to have been given notice whether or not he actually receives it.

10.3 **WAIVER OF NOTICE.** Whenever a notice is required to be given to an owner, member, or director, a written waiver of the notice, signed by the person entitled to the notice, whether before or after the time stated in the notice, is equivalent to giving the notice. Attendance by a member or director at any meeting of the Association or board, respectively, constitutes a waiver of notice by the member or director of the time, place, and purpose of the meeting. If all members or directors are present at any meeting of the Association or board, respectively, no notice is required and any business may be transacted at the meeting.

ARTICLE XI

INDEMNIFICATION

11.1 **GENERAL.** The purpose of this Article is to mandate some of the permissive provisions of Chapter 8 of the Code, and to indemnify Association Leaders whether or not the Association is incorporated at the time indemnification is needed. The definitions of Chapter 8 of the Code are hereby incorporated by reference, without regard to the corporate status of the Association. As used in this Article, "**Association Leader**" means a person who is a current or former officer or director of the Association, or a current or former committee chair or committee member of the Association.

11.2 **MANDATORY INDEMNIFICATION.** The Association will indemnify an Association Leader who was, is, or is threatened to be made a named defendant or respondent in a proceeding because the person is or was an Association Leader, if the following determinations are made.

11.2.1 Determinations. It must be determined that the person acted in good faith, and that:

11.2.1.1 the person reasonably believed (1) in the case of conduct in the person's official capacity, that the person's conduct was in the Association's best interest, or (2) in any other case, that the person's conduct was not opposed to the Association's best interests;

11.2.1.2 in the case of a criminal proceeding, the person did not have a reasonable cause to believe the person's conduct was unlawful;

11.2.1.3 with respect to expenses, the amount of expenses other than a judgment is reasonable; and

11.2.1.4 indemnification should be paid.

11.2.2 Effect of Proceeding Termination. A person does not fail to meet the determination standard solely because of the termination of a proceeding by judgment, order, settlement, conviction, or a plea of nolo contendere or its equivalent.

11.2.3 How Determinations Are Made. If all of the directors are disinterested and independent, as defined in the Code, the determinations required under this Section will be made by a special legal counsel selected by the board. Otherwise, the determinations will be made by the owners of a majority of lots in the Property, other than lots owned by persons who are not disinterested and independent as defined in the Code, or by a special legal counsel selected by those owners.

11.3 EXCEPTIONS TO MANDATORY INDEMNIFICATION. A person who is found liable to the Association or is found liable because the person improperly received a personal benefit is not entitled to indemnification under this Article if, in a legal proceeding, the person has been found liable for (1) wilful or intentional misconduct in the performance of the person's duty to the Association, (2) breach of the person's duty of loyalty owed to the Association, or (3) an act or omission not committed in good faith that constitutes a breach of a duty owed by the person to the Association. In all other instances, indemnification of a person who is found liable to the Association is limited to reasonable expenses actually incurred by the person in connection with the proceeding, excluding a judgment, a penalty, a fine, or any other type of sanction. A person indemnified by the Association is considered to have been found liable in relation to a claim, issue, or matter only if the liability is established by an order, including a judgment or decree of a court, and all appeals of the order are exhausted or foreclosed by applicable law.

11.4 EXPENSES. The indemnification provided by this Article covers reasonable expenses and costs, such as legal fees, actually and necessarily incurred by the indemnified person in connection with a qualified claim.

11.4.1 Advancement of Expenses. The Association may pay or reimburse reasonable expenses incurred by an indemnified person who was, is, or is threatened to be made a respondent in a proceeding in advance of the final disposition of the proceeding without making the determinations required under the Section above titled "Mandatory

Indemnification," after the Association receives a written affirmation by the person of the person's good faith belief that the person has met the standard of conduct necessary for indemnification under this Article, and a written undertaking by or on behalf of the person to repay the amount paid or reimbursed if the final determination is that the person has not met that standard or that indemnification is prohibited by this Article. The required written undertaking must be an unlimited general obligation of the person but need not be secured and may be accepted by the Association without regard to the person's ability to make repayment.

11.4.2 Witness Expenses. The Association may pay or reimburse reasonable expenses incurred by an Association Leader, member, employee, agent, or other person in connection with that person's appearance as a witness or other participation in a proceeding at a time when the person is not a respondent in the proceeding.

11.5 INDEMNIFICATION OF OTHER PERSONS. Subject to the same limitations, determinations, and exceptions for Association Leaders, the Association may indemnify and advance expenses to a person who is not otherwise covered by this Article's indemnification as provided by (1) a provision in a Governing Document of the Association, (2) a contract to which the Association is a party, (3) common law, (4) a board resolution, or (5) a resolution approved by the Association's members. A person indemnified under this Section may seek indemnification or advancement of expenses from the Association to the same extent that an Association Leader may seek indemnification or advancement of expenses under this Article.

ARTICLE XII

DECLARANT PROVISIONS

12.1 CONFLICT. The provisions of this Article control over any provision to the contrary elsewhere in these Bylaws.

12.2 BOARD OF DIRECTORS. During the Declarant Control Period, Appendix C of the Declaration governs the number, qualification, and appointment of directors. The initial directors will be appointed by Declarant and need not be owners or residents. Directors appointed by Declarant may not be removed by the owners and may be removed by Declarant only. Declarant has the right to fill vacancies in any directorship vacated by a Declarant appointee.

12.3 TRANSITION MEETING. As provided by Appendix C of the Declaration, within 60 days after the end of the Declarant Control Period, or sooner at Declarant's option, Declarant will call a meeting of the members of the Association for the purpose of electing directors, by ballot of members. Notice of the transition meeting will be given as if it were notice of an annual meeting.

ARTICLE XIII

AMENDMENTS TO BYLAWS

13.1 AUTHORITY. Although the general authority for amending the Bylaws resides with the members of the Association, certain amendments may be made by the board or by Declarant, without a vote of the members.

13.1.1 Amendments by Board. For the following limited purposes, the board may amend these Bylaws with or without approval by the members, provided the proposed amendment has the prior unanimous approval of the directors:

13.1.1.1 To correct mistakes in the Bylaws.

13.1.1.2 To conform the Bylaws to changes in controlling law applicable to any topic addressed in these Bylaws.

13.1.1.3 To change the name of the Association.

13.1.1.4 To restate previously amended Bylaws for the sole purpose of incorporating the amendments into the body of the Bylaws.

13.1.2 Amendments by Declarant. As provided by Appendix C of the Declaration, during the Development Period, Declarant may amend these Bylaws.

13.1.3 Amendments by Members. All other amendments of these Bylaws must be approved by the members according to the terms of this Article.

13.2 AMENDMENTS BY MEMBERS.

13.2.1 Proposal. The Association will provide or make available to an owner of each lot a description, if not exact wording, of any proposed amendment. The proposed amendment, description of the proposed amendment, or instructions for obtaining a copy of the proposed amendment at no cost will be included in the notice of any annual or special meeting of the Association at which the proposed amendment is to be considered.

13.2.2 Consents. Subject to the following limitation, an amendment of these Bylaws must be approved by members representing at least a majority of the votes present (in person or by proxy) at a properly called meeting of the Association for which a quorum is obtained. In other words, if a quorum is present (in person or by proxy) at an Association meeting, the owners of a majority of the lots represented at the meeting (in person or by proxy) -- even if less than a majority of the total lots -- may approve an amendment to these Bylaws. This Section, however, may not be amended without the approval of owners representing at least a majority of the total lots in the Property.

13.3 EFFECTIVE. To be effective, an amendment must be in the form of a written instrument referencing the name of the Property, the name of the Association, and the recording data of these Bylaws and any amendments hereto; signed and acknowledged by at least one officer of the Association, certifying the requisite authority and/or approvals; and recorded in the Official Public Records of Collin County, Texas. An amendment may be effective immediately if adopted at an Association meeting at which owners of two-thirds of the lots are represented. Otherwise, an amendment is not effective until 10 days after an owner of each lot is notified of the amendment and provided with a copy of the amendment or instructions for obtaining a copy.

13.4 MORTGAGEE PROTECTION. If a provision in a Governing Document or applicable law requires notices to and consent of mortgagees for certain actions and amendments, the Association must give the required notices to and obtain the required approvals from applicable mortgagees.

13.5 DECLARANT PROTECTION. During the Development Period, no amendment of these Bylaws may affect Declarant's rights herein without Declarant's written and acknowledged consent. Specifically, this Section, the article titled "Declarant Provisions," and the sections titled "Declarant Control" and "Drafter's Intent" may not be amended during the Development Period without prior written approval of Declarant. Declarant's written consent must be part of the amendment instrument.

ARTICLE XIV
GENERAL PROVISIONS

14.1 DRAFTER'S INTENT. Because Declarant intends these Bylaws to serve the Association for many years beyond the initial development, construction, and marketing of the Property, Declarant purposefully did not draft these Bylaws from its own perspective. Instead, as a courtesy to future users of these Bylaws, Declarant compiled most of the Declarant-related provisions in Appendix C of the Declaration. Although Declarant is initially an owner and a member of the Association, Declarant is intentionally exempt from a number of obligations that apply to other owners, and has a number of rights that other owners do not have. These Bylaws are to be construed liberally to give effect to the drafter's intent of favorable and preferential treatment of Declarant.

<p><i>DRAFTER'S DICTUM</i></p> <p><i>Users of this document should periodically review statutes and court rulings that may modify or nullify provisions of this document or its enforcement, or may create rights or duties not anticipated by this document.</i></p>
--

14.2 CONFLICTING PROVISIONS. If any provision of these Bylaws conflicts with any provision of the applicable laws of the State of Texas, the conflicting Bylaws provision is null and void, but all other provisions of these Bylaws remains in full force and effect. If a provision of the Association's certificate of formation or Certificate of Formation conflicts with these Bylaws, the certificate of formation controls. In the case of any conflict between the Declaration and these Bylaws, the Declaration controls.

14.3 SEVERABILITY. Whenever possible, each provision of these Bylaws will be interpreted in a manner as to be effective and valid. Invalidity of any provision of these Bylaws, by judgment or court order, does not affect any other provision which remains in full force and effect.

14.4 CONSTRUCTION. The effect of a general statement is not limited by the enumerations of specific matters similar to the general. The captions of articles and sections are inserted only for convenience and are in no way to be construed as defining or modifying the text to which they refer. The singular is construed to mean the plural, when applicable, and the use of masculine or neuter pronouns includes the feminine.

14.5 EFFECTIVE COMMUNICATIONS. These Bylaws are drafted in an era of expanding and distracting modes of communication - written, voice, visual, and electronic - with emerging security and screening technologies that impede some transmissions without the sender's knowledge. In such an era, the burden may be on the sender (1) to bring important pieces of information to the attention of the recipient in a manner that helps the recipient recognize the importance and purpose of the communication, and (2) to confirm that the message was received and its importance recognized. For

example, a change of address that is buried in the fifth paragraph of an owner's letter about a potpourri of issues may be overlooked by the Association. Similarly, a notice of assessment increase that is buried in a chatty Association newsletter or website may be overlooked by the owner. Although there is no way to guaranty what will be noticed by another person, each sender should try to communicate effectively. If the Association specifies a mode of communications for a certain purpose, it benefits the owner to use the specified mode for the intended purpose.

14.6 FISCAL YEAR. The fiscal year of the Association is any 12-month period that is set by resolution of the board, and is subject to change from time to time as the board determines. In the absence of a resolution by the board, the fiscal year is from July 1 through June 30 of each calendar year.

14.7 WAIVER. No restriction, condition, obligation, or covenant contained in these Bylaws may be deemed to have been abrogated or waived by reason of failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

14.8 EXHIBIT. The attached Exhibits are hereby incorporated into these Bylaws by reference as if fully stated herein.

14.9 PREPARER. These Bylaws were prepared in the law offices of SETTLEPOU, 3333 Lee Parkway, Eighth Floor, Dallas, Texas 75219.

(Signatures on next page.)

CERTIFICATION & ACKNOWLEDGMENT

As the Declarant of The Enclave at the Lakes of Prosper, I certify that the foregoing Bylaws of The Enclave at the Lakes of Prosper Homeowner's Association, Inc. were adopted for the benefit of the The Enclave at the Lakes of Prosper Homeowner's Association, Inc. by Declarant and by the Declarant-appointed Board of Directors of The Enclave at the Lakes of Prosper Homeowner's Association, Inc., and that these Bylaws are one of the initial Governing Documents of The Enclave at the Lakes of Prosper Homeowner's Association, Inc.

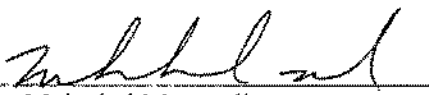
SIGNED this 28th day of August, 2013.

CADG Prosper Lakes North, LLC,
a Texas limited liability company

By: CADG Holdings, LLC,
a Texas limited liability company,
Its Sole Member

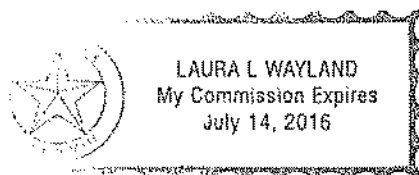
By: MMM Ventures, LLC,
a Texas limited liability company,
Its Manager

By: 2M Ventures, LLC,
a Delaware limited liability company,
Its Manager

By: 
Name: Mehrdad Moayed
Its: Manager

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This instrument was acknowledged before me on the 28th day of August, 2013, by Mehrdad Moayed, Manager of 2M Ventures, LLC, as Manager of MMM Ventures, LLC, as Manager of CADG Holdings, LLC, as Sole Member of CADG Prosper Lakes North, LLC, a Texas limited liability company on behalf of said company.




Notary Public, State of Texas

EXHIBIT A TO BYLAWS

RECORDS PRODUCTION AND COPYING POLICY

THE ENCLAVE AT THE LAKES OF PROSPER

1. **Standard paper copy.** The charge for standard paper copies reproduced by means of an office machine copier or a computer printer is \$.10 per page or part of a page. Each side that has recorded information is considered a page.

2. **Nonstandard copy.** The charges in this subsection are to cover the materials onto which information is copied and do not reflect any additional charges, including labor, that may be associated with a particular request. The charges for nonstandard copies are:

- (A) Diskette--\$1.00;
- (B) Data cartridge--actual cost;
- (C) Rewritable CD (CD-RW)--\$1.00;
- (D) Non-rewritable CD (CD-R)--\$1.00;
- (E) Digital video disc (DVD)--\$3.00;
- (F) JAZ drive, Thumb Drive, or other external hard drive --actual cost;
- (G) Other electronic media--actual cost;
- (H) All other mediums for copying data not provided herein -- actual cost;
- (I) Oversize paper copy or specialty paper (e.g.: 11 inches by 17 inches, greenbar, bluebar)--\$.50 per page;

3. **Labor charge for programming.** If a particular request requires the services of a programmer in order to execute an existing program or to create a new program so that requested information may be accessed and copied, the Association may charge a reasonable fee for the location of the Property for the programmer's time.

4. **Labor charge for locating, compiling, manipulating data, and reproducing public information.**

(A) The charge for labor costs incurred in processing a request for public information is \$15 an hour. The labor charge includes the actual time to locate, compile, manipulate data, and reproduce the requested information.

(B) A labor charge shall not be billed in connection with complying with requests that are for 50 or fewer pages of paper records.

5. **Labor charge for third parties.** A labor charge shall not be recovered for any time spent by an attorney, legal assistant, or any other person who reviews the requested information to determine whether the Association will raise any exceptions to disclosure of the requested information under applicable law.
6. **Miscellaneous supplies.** The actual cost of miscellaneous supplies, such as labels, boxes, and other supplies used to produce the requested information, may be added to the total charge for public information.
7. **Postal and shipping charges.** The Association may add any related postal or shipping expenses which are necessary to transmit the reproduced information to the requesting party.
8. **Payment.** The Association that accepts payment by credit card for copies of public information and that is charged a "transaction fee" by the credit card company may recover that fee. The Association may require advance payment of the charges in this Policy. The Association will provide an invoice to the Owner within 30 days after delivering the requested information. In the event the invoiced amount is less than the pre-paid amount, the Association will refund the excess amount to the Owner within 30 days after the invoice is sent to the Owner. If the actual cost invoiced is greater than the pre-paid amount, the Owner will pay such excess within 30 days of receipt of the invoice. In the event such excess is not paid by the owner timely, the Association may add such unpaid amounts to the Owner's assessment account.
9. **Savings Clause.** This Policy is subject to periodic reevaluation and update. Notwithstanding anything to the contrary, the Association will not in any event be entitled to receive or collect the charges in this Policy in amounts greater than the maximum allowed by applicable law. In the event the Association receives amounts charged which are in excess of the maximum charges permitted by law, the excess amount will be returned to the Owner.

EXHIBIT B TO BYLAWS

RECORD RETENTION POLICY

THE ENCLAVE AT THE LAKES OF PROSPER

The Record Retention Policy of The Enclave at the Lakes of Prosper ensures that necessary records and documents are adequately protected and maintained and that records that are no longer needed or are of no value are discarded at the proper time.

1. **Policy.** This Policy represents the Association's policy regarding the retention and disposal of records and the retention and disposal of electronic documents.
2. **Administration.** The Record Retention Schedule herein is approved as the initial maintenance, retention and disposal schedule for physical records of the Association and the retention and disposal of electronic documents. The Board or Secretary of the Association ("Administrator") is the officer in charge of the administration of this Policy and the implementation of processes and procedures to ensure that the Record Retention Schedule is followed. The Administrator is also authorized to: make modifications to the Record Retention Schedule from time to time to ensure that it is in compliance with local, state and federal laws and includes the appropriate document and record categories for the Corporation; monitor local, state and federal laws affecting record retention; annually review the record retention and disposal program; and monitor compliance with this Policy.
3. **Suspension of Record Disposal In Event of Litigation or Claims.** In the event the Association is served with any subpoena or request for documents or any employee becomes aware of a governmental investigation or audit concerning the Association or the commencement of any litigation against or concerning the Association, such employee shall inform the Administrator and any further disposal of documents shall be suspended until such time as the Administrator, with the advice of counsel, determines otherwise. The Administrator will take such steps as is necessary to promptly inform all staff of any suspension in the further disposal of documents.
4. **Applicability.** This Policy applies to all physical records generated in the course of the Association's operation, including both original documents and reproductions. It also applies to the electronic documents described above.

(Record Retention Schedule begins on next page)

Record Retention Schedule

The Record Retention Schedule is organized as follows:

SECTION TOPIC

- A. Accounting and Finance
- B. Contracts
- C. Corporate Records
- D. Electronic Documents
- E. Payroll Documents
- F. Personnel Records
- G. Property Records
- H. Tax Records

The following are the Association’s retention periods. These apply to both physical and electronic documents. If no physical copy of an electronic document is retained, the means to ‘read’ the electronic document must also be retained. If a record does not fall within the following categories, Board approval must be obtained to dispose of such record.

A. ACCOUNTING AND FINANCE

<u>Record Type</u>	<u>Retention Period</u>
Accounts Payable & Accounts Receivable ledgers and schedules	7 years
Annual Audit Reports and Financial Statements	Permanent
Annual Audit Records, including work papers and other documents that relate to the audit	7 years after completion of audit
Bank Statements and Canceled Checks	7 years
Employee Expense Reports	7 years
General Ledgers	Permanent
Notes Receivable ledgers and schedules	7 years
Investment Records	7 years after sale of investment

B. CONTRACTS

<u>Record Type</u>	<u>Retention Period</u>
Contracts and Related Correspondence (including any proposal that resulted in the contract and all other supportive documentation)	4 years after expiration or termination

C. ASSOCIATION RECORDS

<u>Record Type</u>	<u>Retention Period</u>
Corporate Records (unless otherwise specifically addressed in this Policy - Governing Documents, Dedicatory Instruments, minute books, signed minutes of the Board and all committees, corporate seals, annual corporate reports)	Permanent
Licenses and Permits	Permanent
Account records of current owners	5 years

D. ELECTRONIC DOCUMENTS

- 1. Electronic Mail:** Not all email needs to be retained, depending on the subject matter.
 - All e-mail—from internal or external sources—is to be deleted after 12 months.
 - Staff will strive to keep all but an insignificant minority of their e-mail related to business issues.
 - The Corporation will archive e-mail for six months after the staff has deleted it, after which time the e-mail will be permanently deleted.
 - The Corporation's business-related email should be downloaded to a service center or user directory on the server, when determined by the Board.
 - Staff will not store or transfer the Corporation's related e-mail on non-work-related computers except as necessary or appropriate for the Corporation's purposes.
 - Staff will take care not to send confidential/proprietary information to outside sources.
- 2. Electronic Documents:** Retention depends on the subject matter and follows D.1 above
- 3. Web Page Files: Internet Cookies**
 - All workstations: Internet Explorer should be scheduled to delete Internet cookies once per month.

E. PAYROLL DOCUMENTS

<u>Record Type</u>	<u>Retention Period</u>
Employee Deduction Authorizations	4 years after termination
Payroll Deductions	Termination + 7 years
W-2 and W-4 Forms	Termination + 7 years
Garnishments, Assignments, Attachments	Termination + 7 years
Payroll Registers (gross and net)	7 years
Time Cards/Sheets	2 years
Unclaimed Wage Records	6 years

F. PERSONNEL RECORDS

<u>Record Type</u>	<u>Retention Period</u>
Commissions/Bonuses/Incentives/Awards	7 years
EEO- I /EEO-2 - Employer Information Reports	2 years after superseded or filing (whichever is longer)
Employee Earnings Records	Separation + 7 years
Employee Handbooks	1 copy kept permanently
Employee Personnel Records (including individual attendance records, application forms, job or status change records, performance evaluations, termination papers, withholding information, garnishments, test results, training and qualification records)	6 years after separation
Employment Contracts -- Individual	7 years after separation
Employment Records - Correspondence with Employment Agencies and Advertisements for Job Openings	3 years from date of hiring decision
Employment Records - All Non-Hired Applicants (including all applications and resumes - whether solicited or unsolicited, results of post-offer, pre-employment physicals, results of background investigations, if any, related correspondence)	2-4 years (4 years if file contains any correspondence which might be construed as an offer)
Job Descriptions	3 years after superseded

Record Retention Policy
Exhibit B

<u>Record Type</u>	<u>Retention Period</u>
Personnel Count Records	3 years
Forms I-9	3 years after hiring, or 1 year after separation if later

G. PROPERTY RECORDS

<u>Record Type</u>	<u>Retention Period</u>
Correspondence, Property Deeds, Assessments, Licenses, Rights of Way	Permanent
Property Insurance Policies	Permanent

H. TAX RECORDS

<u>Record Type</u>	<u>Retention Period</u>
Tax-Exemption Documents and Related Correspondence	Permanent
IRS Rulings	Permanent
Tax Bills, Receipts, Statements	7 years
Tax Returns - Income, Franchise, Property	Permanent
Tax Workpaper Packages - Originals	7 years
Annual Information Returns - Federal and State	Permanent
IRS or other Government Audit Records	Permanent
All other Tax Records	7 years

Record Retention Policy
Exhibit B



Filed and Recorded
Official Public Records
Stacey Kemp, County Clerk
Collin County, TEXAS
08/30/2013 09:13:17 AM
\$172.00 BVINCENT
20130830001229160

Stacey Kemp