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BYLAWS OF
MISTY WOODS HOMEOWNERS ASSOCIATION, INC.

ARTICLE 1
INTRODUCTION

1.1. PROPERTY. These Bylaws provide for the governance of Misty Woods Subdivision, a planned community located in the City of Shertz, Guadalupe County, Texas, according to the plat thereof recorded under Document No. _____, Official Public Records of Guadalupe 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 Misty Woods Subdivision recorded under Instrument No. _____, Real Property Records of Guadalupe County, Texas (the "Declaration").

1.3. DEFINITIONS. Words and phrases defined in the Declaration have the same meanings when used in 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. See Appendix C of the Declaration, which overrides and has priority over these Bylaws.

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 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 must be a nonprofit corporation. Failure of the Association to maintain its corporate charter from time to time does not affect the existence or legitimacy of the Association.

1.7. APPLICABLE LAW. The Association is a domestic nonprofit corporation governed by the Texas Business Organizations Code (the "Code") and subject to Chapter 22 of Title 2 of the Code, the Texas Nonprofit Corporation Law. Sections of the Code that are cited in these Bylaws are incorporated herein by reference.

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 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 Documents.

ARTICLE 2
BOARD OF DIRECTORS

2.1. NUMBER AND TERM OF OFFICE. After the Declarant Control Period, the Board will consist of three persons. During the Declarant Control Period, the number of directors may be changed by amendment of these Bylaws, but may not be less than three. After the Declarant Control Period, the number of directors may be increased by a majority vote of directors at a duly called meeting of the directors and the number of directors may be decreased (i) by a majority vote of directors at a duly called meeting of the directors and (ii) approval of the decrease in number by a vote of members representing at least a majority of votes of members cast at a meeting at which a quorum is present, but in no event may the number of directors be less than three. Except for the initial election of directors after the transition meeting as provided below, 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.

2.2. STAGGERED TERMS. To maintain staggered terms, two directors will be elected in even-numbered years, and one director will be elected in odd-numbered years. To establish staggered terms, at the first election after the transition meeting provided for below, the two candidates receiving the most votes will serve 2-year terms, and the candidate receiving the next-highest votes will serve an initial term of one year. Thereafter, their successors will serve 2-year terms. If the number of directors is increased or decreased, an even number will be elected in even numbered years, and an odd number in odd numbered years.

2.3. QUALIFICATION. The following qualifications apply to the election or appointment of persons to the Board. (See Appendix C of the Declaration for the number and qualifications of directors during the Declarant Control Period.)

2.3.1. Owners. Each of the directors must be members of the Association, spouses of members, or residents of the Property. It is not required that all of the directors reside on the Property, although all of the directors may reside on 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. Disqualification. Except as otherwise required by applicable law, a person will be disqualified from running or being elected as a director because of a delinquent account, uncured rules violation, conviction of a felony, if the person has a direct conflict of interest with the Association, or if the person 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.

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, such as Section 22.160(d) of the Code, which may include, without limitation, mail, facsimile transmission, electronic mail, or a combination of any of these.

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 until the next annual meeting of the Association, at which time a successor will be elected to fill the balance (if any) of the term of the director whose seat was vacated. 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 at which a quorum is present or at any special meeting of the Association called for the purpose of removing a director at which a quorum is present, anyone 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:

a. 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.

b. 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.

2.6.3. No Removal by Officers. A director may not be removed by officers of the Association, acting in their capacity as 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. The location of meetings of the Board must comply with applicable law. The terms of this Section apply only to the extent not contrary to applicable law. The Board will conduct its meetings at a location 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 (1) to conduct its meetings at the Property, (2) to maintain a fixed place for its meetings, (3) to select a location that is convenient to members, or (4) 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 may be held at a time and place that the Board determines, from time to time, but at least one such meeting must be held each calendar year, with or without notice. Special meetings of the Board may be called, with notice, 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. The content, timing, and method of delivery of notice to directors must comply with the requirements of applicable law. The terms of this Section apply only to the extent not contrary to applicable law. 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 to all directors. 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. Notwithstanding the foregoing, the content, timing and method of delivery of notice to directors must comply with the requirements of applicable law.

2.7.5. Informing Members of Board Meetings. The content, timing, and method of delivery of notice to members of meetings of the Board must comply with the requirements of applicable law. The Board will inform Association members of the date, time, place and general purpose of each Board meeting. The information may be imparted by any method or combination of methods that is likely to be available or communicated to most if not all members in a timely manner, such as by posting on the Association's website, by broadcast email, by signs posted at the Property, or by hand-delivered flyers. On the written request of an owner, the Association will provide the owner with the date, time, place, and general purpose of the next regular or special meeting of the Board. The failure of the Association to disseminate and the failure of an owner to receive timely or accurate information about the date, time, place, and general purpose of a meeting does not invalidate the meeting.

2.7.6. Conduct of Meetings. The president presides over meetings of the Board and the secretary keeps, or causes to be kept, a record of resolutions adopted by the Board and a record of transactions and proceedings occurring at meetings. When not in conflict with law or the Documents, the then current edition of Robert's Rules of Order governs the conduct of the meetings of the Board. Participation in a 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.

2.7.7. 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.

2.7.8. Minutes. The written report of a Board meeting is not the minutes of the meeting until approved by the directors at a future meeting. The minutes must report actions taken by the Board, but need not report the substance of discussion. The Board is not required to distribute minutes of its meetings to the members, provided that the Board shall make meeting records, including approved minutes, available to members as required by applicable law.

2.7.9. 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. Votes of the Board may be taken in any manner, including telephonically or electronically, permitted by applicable law.

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

a. No audio or video recording of the meeting may be made, except by the Board or with the Board's prior express consent.

b. 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.

c. Executive sessions are not open to members.

d. The Board may prohibit attendance by non-members, including representative proxies, agents, and attorneys of members.

e. The Board may prohibit attendance by any member who disrupts meetings or interferes with the conduct of Board business.

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

a. The nature of business to be considered in executive session will first be announced in open session.

b. No action may be taken nor decision made in executive session, which is for discussion and informational purposes only.

c. The limited purposes for which the Board may convene in executive session must comply with applicable law.

d. At the end of the executive session, the Board must return to the open meeting and announce the general nature of the business that was considered in executive session, including a general explanation of any expenditure approved in the 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. The verbal summary must be reported in the meeting minutes.

e. The Board is not required to make or maintain minutes of executive sessions.

2.7.12. Telephone or Electronic Meetings. Members of the Board or any committee of the Association may conduct meetings by any method, or combination of methods, including telephonically or electronically, permitted by and subject to the requirements of applicable law.

2.8. ACTION WITHOUT MEETING. As permitted by applicable law, any action required or permitted to be taken by the Board at a meeting may be taken without a meeting, as provided in this Section. Any action taken by the Board pursuant to the following subsections must be orally summarized at the next meeting of the Board for which the owners have notice. The oral summary must include an explanation of any known expenditures – actual or estimated – that were approved by the Board, and must be reported in the meeting minutes.

2.8.1. Prohibited Actions. The decision-making methods permitted by this Section may not be used for decisions for which applicable law requires that owners be given prior notice.

2.8.2. Electronic Conferencing. Without giving prior notice to the owners, the directors may participate in and hold Board meetings by any method, or combination of methods, permitted by applicable law, such as to consider administrative matters and to deal with emergencies. Participation in such meeting constitutes presence in person at the meeting, except where a director 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.

2.8.3. Unanimous Consents. Without giving prior notice to the owners, directors may act by unanimous written consent, but only for the limited purposes permitted by applicable law. Such consent unanimous written consent may be indicated by email exchanges between directors so long as a record is kept of the exchanges and the contents of the email.

2.9. POWERS AND DUTIES. Generally, 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 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 Documents, or powers and duties as may hereafter be imposed on the Board by 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 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.

2.9.3. Emergency Powers. An emergency exists for purposes of this Section if a local, state, or national government or governmental entity declares a disaster or state of emergency in the area in which the Property is located, or declares a state of war. In anticipation of, during, or in the aftermath of an emergency, the officers and directors may take or authorize any action they deem necessary or advisable to protect lives and property. A decision or action made in good faith under emergency conditions may not be used to impose liability on an officer, director, employee, or agent of the Association.

2.10. 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 3
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 of the Association must also 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: (1) presides at all meetings of the Association and of the Board; (2) has all the general powers and duties which are usually vested in the office of president of an organization; (3) has general supervision, direction, and control of the business of the Association, subject to the control of the Board; and (4) 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: (1) keeps the minutes of all meetings of the Board and of the Association; (2) has charge of such books, papers, and records as the Board may direct; (3) maintains a record of the names and addresses of the members for the mailing of notices; and (4) in general, performs all duties incident to the office of secretary.

3.4.4. Treasurer. The treasurer: (1) is responsible for Association funds; (2) keeps full and accurate financial records and books of account showing all receipts and disbursements; (3) prepares all required financial data and tax returns; (4) 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; (5) prepares the annual and supplemental budgets of the Association; (6) 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 (7) performs all duties incident to the office of treasurer.

3.4.5 Delegation of Ministerial Acts. Ministerial acts to be performed by each of the specific offices may be delegated to the professional management agent engaged by the Association.

3.5. AUTHORIZED AGENTS. Except when the 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 4
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:

a. 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.

b. 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 (1) in good faith, (2) with ordinary care, and (3) 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 (1) an officer or employee of the Association, (2) an attorney licensed by the State of Texas, (3) a certified public accountant, (4) an investment banker, or (5) a person whom the officer or director reasonably believes to possess professional expertise in the matter, and (6) 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,

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

b. 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.

c. 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. 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 (1) 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 (2) 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. In addition, a person may not be elected a director or an officer of the Association if such person or an affiliate of the person holds a controlling interest in a professional management company engaged by the Association. If a person is then serving as a director or an officer of the Association at the time such person obtains a controlling interest in a professional management company engaged by the Association, such person must immediately resign or withdraw as a director and an officer. 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 5
MEETINGS OF THE ASSOCIATION

5.1. ANNUAL MEETING. An annual meeting of the Association will be held during the second calendar quarter of each year or on such other date as selected by the directors. At annual meetings the members will elect directors in accordance with these Bylaws, and may also 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. The content, timing, and method of delivery of notice to members must comply with the requirements of applicable law. The terms of this Section apply only to the extent not contrary to applicable law. Subject to the provisions below, at the direction of the Board, written notice of meetings of the Association will be given to an owner of each lot at least 10 days but not more than 60 days prior to the meeting. Notices of meetings will state the date, time, and place the meeting is to be held. Notices will identify the type of meeting as annual or special, and will state the particular purpose of a special meeting. Notices may also set forth any other items of information deemed appropriate by the Board.

5.4.1. Notice Exception. Individual notice of the regular annual meeting of the Association is not required if (1) the time and place of the meeting is largely unchanged from year to year and (2) information about the time and place is routinely available to all members, such as by year-long posting on the Association's official website or repetitive announcements in the Association's newsletter. This exception does not apply to special meetings of the Association, or to changes in the time and place of the regular annual meeting.

5.4.2. Special Meeting Notice. Within 30 days after the Board resolution or receipt of petition, the Board must give all members notice of the special meeting. If the Board fails or refuses to call the special meeting in a timely manner, an ad hoc committee of owners may do so provided the notice of meeting names the ad hoc committee and its individual members, and further provided that the notice is delivered to an owner of every lot in accordance with these Bylaws. The notice of any special meeting must state the time, place, and purpose of the meeting. No business, except the purpose stated in the notice of the meeting, may be transacted at a special meeting.

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, and a list or way of identifying members who are ineligible to vote at the meeting. These membership lists are described in the Association Records Article below. 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.

5.6. ELIGIBILITY. Every member is entitled to receive notice of Association meetings, to attend Association meetings, and to be counted towards a quorum, even if the member is ineligible to vote or to stand for election to the Board.

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. To the extent not prohibited by applicable law, the Board may determine that a member may not vote at a meeting of the Association if the member's financial account with the Association is in arrears on the Record Date, provided (1) the ineligibility applies to every member whose financial account is delinquent, and (2) each ineligible member is given notice of the arrearage and an opportunity to become eligible. The Board may specify the manner, place, and time for payment for purposes of restoring eligibility. The Record Date determination of members entitled to vote at a meeting of the Association is effective for any adjournment of the meeting, provided the date of the adjourned meeting is not more than 30 days after the

original meeting. The Board is not required to disqualify owners with delinquent accounts, and may 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 10 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 half 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 the lot. If more than one of the multiple owners is present, the vote allocated to the 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. PARTICIPATION. Members may participate in person or by proxy at meetings of the Association. A member who participates is deemed "present" and may be counted towards a quorum 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.

5.11. PROXIES. A member may participate in the affairs of the Association through a power of attorney or through a proxy. To be valid, each proxy must (1) be signed and dated by a member or his attorney-in-fact; (2) identify the lot to which the vote is appurtenant; (3) 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; (4) identify the meeting for which the proxy is given; (5) not purport to be revocable without

notice; and (6) 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 an officer authorized to take acknowledgments and oaths, or (3) the Association also receives the original proxy within 5 days after the vote.

5.12. 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 Documents. Votes should be tallied by tellers appointed by the person presiding over the meeting. The Association is not required to provide an owner with more than one voting method, unless these Bylaws, the Declaration, or the other Documents provide otherwise. The Association acting through the Board, may adopt rules to allow voting by secret ballot by members, provided that such rules and procedures adopted comply with applicable law.

5.13. 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

5.14. 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.

5.15. 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 applicable law, which may include hand delivery, mail, fax, email, electronic balloting or any combination of these. Written consents by members representing at least a majority of votes in the Association, or such higher percentage as may be required by the Documents, constitutes approval by written consent. This Section may not be used to avoid the requirement of an annual meeting.

5.16. MEETINGS BY REMOTE COMMUNICATIONS. Subject to Board approval, 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.

ARTICLE 6
RULES & POLICIES

6.1. GENERAL. In addition to the core Documents - plat, Declaration, these Bylaws, Articles of Association - the Association has other Documents that are typically referred to by names such as rules, regulations, standards, guidelines, specifications, policies, procedures, and resolutions - terms which may be used interchangeably in this context. Some are required by statute, some are customary for residential associations, and some arise over time as a result of unique circumstances and experiences. They are likely to require change over time in response to innumerable influences, such as changes in public policy, fashions, and community expectations, changes of technology or materials, aging infrastructure and organizational structure, and evolving demographics of the resident population.

6.2. EXEMPT RULES. The general requirement is that all Board-made rules and anything an owner or resident is expected to comply with must be in a publicly recorded Document. The following exceptions to the general requirement are not in the nature of Documents that require public recording and are therefore exempt from the requirements of this Article in the absence of an express statutory requirement.

6.2.1. Administrative Policies and Procedures. This Article does not pertain to policies and procedures that are entirely administrative in nature, and which do not arise to the level of a provision that may be enforced against a lot or a member of the Association. Examples of administrative policies include (1) a Board resolution to change the Association's registered agent, (2) procedures adopted by the Board for annually reviewing the manager's performance, and (3) a policy adopted by the Board for investing the Association's funds.

6.2.2. Posted or Temporary Rules. The Association has the right to require compliance by owners and residents with rules on signs posted by the Association on the Property by the Association, such as hours of use of a common area. The Association also has the right to require compliance by owners and residents with notices communicated by the Association, from time to time, in the nature of seasonal or temporary rules, or notice of a change affecting use of a common area. Temporary rules and rules on signs are not of a nature that requires a publicly recorded Document as a prerequisite to enforcement, absent a statutory requirement. Therefore, this Article does not pertain to posted or temporary rules.

6.3. PROTOCOLS REQUIRED BY LAW. The Association, acting through the Board must adopt and - as needed - amend and restate the policies and protocols required by applicable law, which serve to supplement these Bylaws. The initial policies and protocols, adopted by Declarant for the benefit of the Association, including the following, which are or will be recorded in the Official Public Records of the County where the Property is located, because applicable law so requires:

a. Open Records Production and Copying Policy, as required by the Texas Property Code Sec. 209.005(i).

b. Records Retention Policy, as required by the Texas Property Code Sec. 209.005(m).

c. Payment Plan Guidelines, as required by the Texas Property Code Sec. 209.0062.

6.4. OTHER POLICIES & RULES. From time to time, the Board may adopt, amend, restate, and repeal as many other policies and resolutions as the Board deems necessary or desirable to more fully comply with applicable law, to improve the transparency of Association functions that directly affect owners and residents, or to better guide owners and residents in navigating the Association's operations. The Board also has the right to adopt, amend, restate, and repeal, from time to time, reasonable rules and regulations for any activity, function, or purpose for which the Board has express regulatory authority under a Document or applicable law.

6.5. ADOPTION AND AMENDMENT. A policy or rule may be adopted, corrected, amended, supplemented, restated, or repealed by the Board, subject to the requirements of this Article and any additional requirements of applicable law.

6.5.1. Preliminary Approval. The Board's approval of the concept, if not exact wording, of the proposed policy or rule must be reported as a resolution in the minutes of the meeting of the Board.

6.5.2. Notice and Comment. If the proposed policy or rule will require compliance by owners or residents, the Board will provide owners with an opportunity of at least 10 days in which to comment orally or in writing to the Board on the proposed action. The Board may, but is not required to, give the same opportunity to residents who are not owners. An opportunity for notice and comment is not required for a rule or policy that is mandated by public law and which conforms closely to the statutory requirements.

6.5.3. No Conflict. A rule or policy adopted by the Board may not conflict with applicable law or a superior Document.

6.5.4. Final Approval. The Board's final approval of a proposed policy or rule must be reported as such in the minutes of the Board meeting at which the policy or rule is adopted, or the decision to adopt is ratified. The exact wording of the policy or rule must be made part of the meeting record.

6.5.5. Form of Instrument. The approved policy or rule must be in a written instrument that is capable of being recorded in the Official Public Records of the County where the Property is located. It should be prepared in a way that enables the County Clerk to index the instrument in the name of the platted subdivision and in the name of the Association. If the instrument corrects, amends, supplements, restates, or repeals a previously recorded policy or rule, it must state the title and complete recording data for that instrument.

6.5.6. Notification to Owners. Within 30 days after publicly recording a policy or rule, the Board must communicate the existence and effective date of the policy or rule to the owners by any community-wide method or combination of methods, and must make the policy or rule available to the owners, such as by posting on a website.

ARTICLE 7
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 of the Texas Property Code. 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:

a. Suspension of use of a common area.

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

c. Charging an owner or a lot for property damage.

d. 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 (1) the date the violation notice is prepared or mailed; (2) 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 of the Texas Property Code; (3) a statement of how or where the request for hearing should be made or delivered; (4) 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; (5) 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 (6) 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 Documents, the written notice must also contain the following: (1) a description of the violation; (2) a reference to the rule or provision of the Documents that is being violated, if applicable; (3) a description of the action required to cure the violation; (4) 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; (5) 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 (1) a description of the property damage and (2) 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 (1) on personal delivery to the owner or to a person at the owner's address, or (2) 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 the Texas Property Code, the following actions are expressly exempt:

a. 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.

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

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

d. 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.

7.6. REIMBURSEMENT OF EXPENSES AND LEGAL FEES. This Section is subject to any applicable law that limits or conditions the amount or types of legal fees or collection costs that the Association is entitled to recover against an owner or lot, with which the Association must comply. In addition to any other rights set forth in the Documents for violation of a provision of the 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 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 (1) before the date by which the owner must request a hearing, if the owner does not request a hearing, or (2) 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 Documents which, in the Board's opinion, are (1) self-evident, such as vehicles parked illegally or in violation of posted signs; (2) threatening to life or property; or (3) 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 Documents for certain violations, such as nonpayment of assessments.

ARTICLE 8

OBLIGATIONS OF THE OWNERS

8.1. RESALE CERTIFICATE. Each owner, other than Declarant, must ensure that a resale certificate is prepared and provided to the purchaser of the lot from the owner.

8.2. MAILING ADDRESS. Within 30 days after acquiring an ownership interest in a lot, if the mailing address of the owner is other than the address of the lot, the owner must provide the Association with the owner's 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.

8.3. ASSESSMENTS. Owners are obligated to pay assessments imposed by the Association as provided in the Declaration.

8.4. COMPLIANCE WITH DOCUMENTS. Each owner will comply with the provisions and terms of the 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 9
ASSOCIATION RECORDS

9.1. INSPECTION OF BOOKS AND RECORDS. Books and records of the Association will be made available for inspection and copying pursuant to applicable law, such as Section 22.351 of the Code and Section 209.005 of the Texas Property Code.

9.1.1. Proper Purpose. The Board may require a member to submit a written demand for inspection, stating the purpose for which the member will inspect the books and records. The Board has the following rights: (1) to determine whether the member's purpose for inspection is proper; (2) to deny the request if the Board determines that the member's purpose is not proper; (3) if granting the request, to identify which books and records are relevant to the member's stated purpose for inspection.

9.1.2. Copies. A member, at member's expense, may obtain photocopies of books and records for which the Board grants the right of inspection. The Board has the right to retain possession of the original books and records, to make copies requested by the member, and to charge the member a reasonable fee for copying.

9.1.3. Member's Agent. A member's inspection of the books and records may be assisted or performed by the member's agent, accountant, or attorney.

9.1.4. Records of Attorneys and Accountants. The files and records of an attorney or accountant who performs services for the Association are not records of the Association, are not subject to inspection by members, and are not subject to production in a legal proceeding.

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 professional 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 and Texas Property Code, as well as the Documents. The Association must allow members to inspect the list of the Association members in compliance with the applicable provisions of the Code and Texas Property Code.

ARTICLE 10
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 (1) to the address of the owner's lot and/or (2) 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 11
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:

a. 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;

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

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

d. 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) willful 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 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 12
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 transition 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 13
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 approval of the directors: (1) to correct mistakes in the Bylaws, (2) to conform the Bylaws to changes in controlling law applicable to any topic addressed in these Bylaws, (3) to change the name of the Association, and (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, with or without approval by the owners or any mortgagee, as provided therein.

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 with 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 (1) referencing the name of the Property, the name of the Association, and the recording data of these Bylaws and any amendments hereto; (2) signed and acknowledged by at least one officer of the Association, certifying the requisite authority and/or approvals; and (3) recorded in the Official Public Records of the County where the Property is located. 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 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 14
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.

14.2. CONFLICTING PROVISIONS. If any aspect of these Bylaws conflicts with applicable law, the applicable law controls. If a provision of the Association's certificate of formation or Articles of Association conflicts with these Bylaws, the certificate of formation or Articles controls. In the case of a conflict between the Declaration and these Bylaws, the Declaration controls. In the case of a conflict between these Bylaws and community rules or policies adopted by the Board, these Bylaws control.

14.3. SEVERABILITY. Whenever possible, each provision of these Bylaws will be interpreted in a manner as to be effective and valid. Invalidation of any provision of these Bylaws, by judgment or court order, does not affect any other provision which remains in full force and effect. To the extent necessary to make a provision of these Bylaws that is otherwise invalid or unenforceable, valid and enforceable in accordance with the provisions of applicable law, such invalid or unenforceable provision may be interpreted as being reformed to comply with the provisions of applicable law.

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. FISCAL YEAR. The fiscal year of the Association will be the calendar year, provided that the fiscal year is subject to change from time to time as the Board determines.

14.6. 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.

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CERTIFICATION & ACKNOWLEDGMENT

As the Declarant under the Declaration for the Misty Woods Subdivision, I certify that the foregoing Bylaws of Misty Woods Homeowners Association, Inc. were adopted for the benefit of the Association by the initial Board of Directors of Misty Woods Homeowners Association, Inc. at the organization meeting of the Board called by a majority of the Directors for the purpose of adopting these Bylaws.

SIGNED to be effective as of January 1, 2017.

Misty Woods, LLC,
a Texas limited liability company

By: Randy Dym
Name: RANDY DYM
Title: MANAGING PARTNER

STATE OF TEXAS §
§
COUNTY OF Bexar §

This instrument was acknowledged before me on the 15th day of February, 2017 by Randy Dym, Managing Partner of Misty Woods, LLC, a Texas limited liability company.

Megan Christian Armel
Notary Public, State of Texas

MEGAN CHRISTIAN ARMEL
Notary ID # 125043736
My Commission Expires
September 3, 2020

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GUADALUPE COUNTY, TEXAS

Teresa Kiel

Misty Woods HOA
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223 D
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