

**AMENDED AND RESTATED
BYLAWS
OF
SUN CITY TEXAS COMMUNITY
ASSOCIATION, INC.
(f/k/a Sun City Georgetown Community Association, Inc.)**

Approved November 17, 2011

TABLE OF CONTENTS

ARTICLE SECTION

I. NAME, PRINCIPAL OFFICE, AND DEFINITIONS

- 1.1 Name
- 1.2 Principal Office
- 1.3 Definitions

II. ASSOCIATION

- A. Composition
 - 2.1 Membership
- B. Meetings
 - 2.2 Place of Meetings
 - 2.3 Annual Meetings
 - 2.4 Special Meetings
 - 2.5 Notice of Meetings
 - 2.6 Waiver of Notice
 - 2.7 Voting
 - 2.8 Voting Methods; No Proxies
 - 2.9 Majority: Definition; Application to Member Votes
 - 2.10 Quorum
 - 2.11 Failure to Establish Quorum
 - 2.12 Conduct of Meetings

III. BOARD OF DIRECTORS

- A. Composition
 - 3.1 Governing Body; Qualification
 - 3.2 Number of Directors
 - 3.3 Directors During Class "B" Control Period
 - 3.4 Procedural Requirements for Candidates
 - 3.5 Election and Term of Office
 - 3.6 Specific Elections and Board Transition Periods
 - 3.7 Voting in Director Elections; Tie Votes
 - 3.8 Authority to Suspend Vote and Declare a Winner
 - 3.9 Removal of Directors
 - 3.10 Director Vacancies
- B. Meetings
 - 3.11 Organizational Meetings
 - 3.12 Regular Meetings
 - 3.13 Special Meetings
 - 3.14 Waiver of Notice
 - 3.15 Quorum of Board of Directors
 - 3.16 Compensation
 - 3.17 Conduct of Meetings
 - 3.18 Open Meetings

- 3.19 Executive Session
- 3.20 Action Without a Formal Meeting
- 3.21 Telephonic Participation
- C. Powers and Duties
 - 3.22 Powers
 - 3.23 Duties
 - 3.24 Right of the Class "B" Member to Disapprove Actions
 - 3.25 Management
 - 3.26 Accounts and Reports
 - 3.27 Borrowing
 - 3.28 Rights of the Association
 - 3.29 Enforcement
- D. Officers
 - 3.30 Officers
 - 3.31 Election and Term of Office
 - 3.32 Removal and Vacancies
 - 3.33 Powers and Duties
 - 3.34 Resignation
 - 3.35 Agreements, Contracts, Deeds, Leases, Checks, Etc
 - 3.36 Compensation

IV. COMMITTEES

- A. Composition
 - 4.1 Composition
 - 4.2 Number of Committee Members
 - 4.3 Nomination of Committee Members
 - 4.4 Appointments and Term of Office
 - 4.5 Removal of Committee Members and Vacancies
- B. Meetings
 - 4.6 Organizational Meetings
 - 4.7 Scheduling of Meetings
 - 4.8 Special Meetings
 - 4.9 Waiver of Notice
 - 4.10 Quorum of Committee Members
 - 4.11 Compensation
 - 4.12 Open Meetings
 - 4.13 Action Without A Formal Meeting
 - 4.14 Telephonic Participation
 - 4.15 Powers
- C. Officers
 - 4.16 Officers
 - 4.17 Election and Term of Office
 - 4.18 Removal and Vacancies
 - 4.19 Powers and Duties of Officers
 - 4.20 Resignation
 - 4.21 Parliamentary Rules
 - 4.22 Right of Declarant to Disapprove Actions

- 4.23 Covenants Committee
- 4.24 Appeals

V. MISCELLANEOUS

- 5.1 Fiscal Year
- 5.2 Parliamentary Rules
- 5.3 Conflicts
- 5.4 Books and Records
- 5.5 Notices
- 5.6 Indemnification
- 5.7 Amendments

Article I
NAME, PRINCIPAL OFFICE, AND DEFINITIONS

1.1. Name. The name of the Association is Sun City Texas Community Association, Inc. ("Association"). The Association was formerly known as Sun City Georgetown Community Association, Inc.

1.2. Principal Office. The principal office of the Association shall be located in Williamson County, State of Texas. The Association may have such other offices as the Board may determine or as the affairs of the Association may require.

1.3. Definitions. The words used in these By-Laws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in that certain *Second Amended and Restated Declaration of Covenants, Conditions, and Restrictions for Sun City Georgetown*, filed as Document No. 2002062374 in the Official Public Records of Williamson County, Texas, and any amendments thereto (cumulatively, the "Declaration"), unless an express definition is provided herein or the context clearly indicates otherwise.

Article II
ASSOCIATION

A. Composition

2.1. Membership. The Association shall have two classes of membership, Class "A" and Class "B," as set forth in the Declaration. The provisions of the Declaration pertaining to membership, including but not limited to the definition of Member and the arbitration and other dispute resolution provisions, are incorporated herein by this reference.

B. Meetings

2.2. Place of Meetings. Meetings of the Association shall be held within the Properties or at such other suitable place within Williamson County, State of Texas as may be designated by the Board.

2.3. Annual Meetings. The first meeting of the Association, whether a regular or special meeting, shall be held within one year after incorporation of the Association. Subsequent annual meetings shall be set by the Board so as to occur on the fourth Thursday in May in each calendar year, or such other date in May as the Board shall determine, and at a time and location determined by the Board. In the event that a quorum, as provided in these By-Laws, is not present at an annual meeting, the Association may hold the meeting for informational purposes; provided, however, the Association may not take any action at such meeting unless a quorum is subsequently established.

2.4. Special Meetings. The President or the Board may call special meetings of the Association. In addition, it shall be the duty of the President to call a special meeting of the Association if so directed by resolution of the Board or upon a petition signed by Members holding at least 10% of the voting power of the Association and requesting a vote of the Members

to decide any issue reserved for determination by the Members under these By-laws or the other Governing Documents. Each signature page for such a petition must contain a fair and accurate summary of the purpose of the meeting, and each signature thereon must be accompanied by the street address for the signor's residence within Sun City, in order for the signature(s) to be valid. Members are required to submit proposed petitions and/or a sample signature page to the Board for approval, as to form and substance, prior to garnering signatures. The Board shall not unreasonably withhold approval and shall either approve the submission in its current form, approve subject to specified changes, or disapprove, all within 30 days of the receiving a valid submittal, or else the submittal shall be deemed approved.

If the President or the Board desires the Members to vote on a motion, issue, or item other than regularly-scheduled director elections held in conjunction with an annual meeting of the Association (e.g., a Declaration amendment, a motion to remove a director, an authorization to borrow large sums of capital, etc.), the President or Board shall cause such vote to occur by means of calling a special meeting of the Association or adding the item to the agenda of the next annual meeting. If the Members desire to cause such a vote to occur, the Members may do so only by complying with the petition requirement for a special meeting set forth above, and the vote shall be held by means of a called special meeting or at the next annual meeting, if such annual meeting is scheduled to occur within 120 days after receipt of an authorized and sufficient petition.

2.5. Notice of Meetings. Written notice stating the place, day, and hour of any meeting of the Association shall be delivered, either personally, by mail, or by e-mail or similar communication device to each Member entitled to vote at such meeting, not less than 10 nor more than 60 days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting.

In the case of a special meeting or when otherwise required by statute or these By-Laws, the purpose or purposes for which the meeting is called shall be stated in the notice. No other business shall be transacted at a special meeting except as stated in the notice.

If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his or her address as it appears on the records of the Association, with postage prepaid.

2.6. Waiver of Notice. Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Association, either before or after such meeting. Attendance at a meeting by a Member shall be deemed waived by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed a waiver of notice of all business transacted unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.7. Voting. Members shall have such voting rights as specified in the Declaration and these By-Laws. Members may exercise their voting rights at Association meetings using the methods specified in Section 2.8. Prior to voting on any and all items brought to a vote of the Members, such items shall be published for resident review and comment. Details for preparing

and conducting these votes shall be established in the Voting and Elections Policy.

2.8. Voting Methods. Members have the right to vote in person or by proxy at the related meeting or, prior to the meeting, by means of ballots cast at a polling place or delivered by hand or mail, as further prescribed in the Voting and Elections Policy. Members are requested to cast votes in person or by ballot cast prior to the meeting, to enable direct participation rather than participation through a proxy. As further provided herein, in the Declaration and in the Voting and Elections Policy, if a quorum of votes is not present at a meeting, Members have the right to vote by ballot at such meeting prior to adjournment or during the intervening period of time prior to the meeting being reconvened. The Association will promulgate all ballot, proxy, and other voting forms. No other forms will be accepted. The Association may place deadlines and other reasonable conditions on return of voting forms.

2.9. Majority: Definition; Application to Member Votes. As used in these By-Laws, the term "majority" shall mean those votes, Members, or other group, as the context may indicate, totaling more than 50% of the total eligible number. An item put to a vote of the Members shall be decided by the vote of a majority of votes cast once a quorum of votes is established, except to the extent that a different approval threshold is established in these By-Laws or the Declaration.

2.10. Quorum. Except as otherwise provided in these By-Laws or in the Declaration, the presence of Members holding 10 percent of the voting power in the Association entitled to be cast shall constitute a quorum on each issue put to a vote at a meeting of the Association. A Member shall be deemed present, for purposes of establishing a quorum and voting, if the Member is physically present at the meeting or has otherwise previously cast a ballot in compliance with the voting methods established herein, in the Declaration and in the Voting and Elections Policy. Notwithstanding the foregoing, for purposes of voting to approve the minutes of a prior meeting of the Association only, the number of votes present at the meeting shall constitute a quorum.

The quorum level shall be calculated as the stated percentage of the total votes in the Association entitled to vote on each particular issue. Not all Members are entitled to vote on all Association matters. By way of example, only the Class "A" Members are entitled to vote upon the election or removal of the Class "A" Member-elected directors (sometimes referred to herein as the "Class 'A' Directors"). As such, in determining whether a quorum of votes has been cast to elect or remove a Class "A" Director, the quorum level is 10 percent of the total number votes in the Association allocated to the Class "A" Members (in good standing), and not the total number of votes allocated to all Members (i.e., to the Class "A" Members and the Class "B" Member).

2.11. Failure to Establish Quorum. If any vote at a meeting of the Association cannot be held because a quorum is not present, the President or, in his absence, the presiding officer, may adjourn the meeting to a date not fewer than 15 nor more than 90 days from the date the original meeting was called. Members present at the meeting as originally called shall have the right to cast votes by means of written ballots prior to the meeting being adjourned. The officer adjourning the meeting shall set the date, time and place that the meeting is to reconvene, and the Association may, but need not, provide any additional notice thereof to the membership. If a date, time and place for reconvening the meeting is not fixed prior to the adjournment of the original meeting, the Board shall be authorized to set same and shall be required to provide notice to all Members of the reconvened meeting in the manner prescribed for regular meetings.

During the intervening period (the "Adjournment Period"), Members may cast ballots on the related vote item(s), as further provided in the Declaration and the Voting and Elections Policy. At the reconvened meeting, any business may be transacted which might have been transacted at the meeting originally called, provided a quorum is present, including any votes previously cast at the meeting as originally called or otherwise.

The foregoing notwithstanding, the Members present at a meeting of the Association at which a quorum of votes has not been established nevertheless may hold an informational meeting (i.e., may discuss Association business without related votes being held) and may vote on any items for which a quorum is not required.

2.12. Conduct of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring at the meeting.

Article III **BOARD OF DIRECTORS**

A. Composition

3.1. Governing Body; Qualification. A Board of Directors (the "Board") shall govern the affairs of the Association. Each director shall have one equal vote, except as specifically provided in Section 3.6(b). Any Class "A" Member may be a candidate for or serve as a Class "A" Director, without the need to be pre-qualified or nominated by any other party. A Class "A" Director, or candidate desiring to be pre-qualified for election to enable the candidate's name to appear pre-printed on a director ballot, at all times shall (i) be a Member in Good Standing at all times during the directorship or candidacy, and (ii) if the related Lot is owned by a trust or other legal entity (and such entity is a Member in Good Standing), be an Age-Qualified Occupant with the authority of such entity to exercise the related membership right. All directors shall complete training, the timing and substance of which shall be established by the Association's executive director and approved by the Board.

The directors appointed by the Class "B" Member (sometimes referred to herein as the "Class 'B' Directors") are not subject to the Member in Good Standing requirements established above.

3.2. Number of Directors. The number of directors in the Association shall be not fewer than three or more than seven, as further provided in this Article III. The initial Board shall consist of three directors as identified in the Articles.

3.3. Directors During Class "B" Control Period. Subject to the provisions of Section 3.6, certain directors shall be appointed by the Class "B" Member acting in its sole discretion and shall serve at the pleasure of the Class "B" Member until the first to occur of the following:

- (a) When 95% of the total number of Lots proposed by the Development

Agreement have certificates of occupancy issued thereon and have been conveyed to Home Owners;

(b) December 31, 2045; provided that, in the event the Declarant annexes additional property pursuant to the Declaration at any time after December 31, 2040, this date shall be extended for additional three year periods for every 500 acres of property annexed or any fraction thereof; or

(c) when, in its discretion, the Class "B" Member so determines.

3.4. Procedural Requirements for Candidates. Any Member desiring to run for election may do so. See the Voting and Elections Policy for additional requirements for candidates in certain situations (e.g., for candidates who desire to pre-qualify, deadlines for submission of candidate applications, participation in candidate forums, and the like).

3.5. Election and Term of Office. Except as expressly provided otherwise in these By-Laws, all votes related to the election of the Class "A" Directors shall be held in conjunction with the annual meeting of the Association, and otherwise in compliance with the procedures and requirements related to Member voting in general and elections in particular in these By-Laws, the Declaration and the Voting and Elections Policy.

Class "A" Directors shall serve two-year, staggered terms, with approximately one-half of the Class "A" Director seats up for election in conjunction with each annual meeting of the Association, except as expressly provided otherwise herein. All Class "A" Directors shall serve as at-large directors. An individual may not be elected as a Class "A" Director to more than two consecutive full terms, and must stay off the Board for at least one full year after serving two full terms. If a Class "A" Director is elected to fill a vacated seat and the period of time between that election and the expiration of the partial term filled is less than 11 months, that period of time shall not count as one of the two permissible "full terms" under the foregoing term limitation provision.

Class "B" Directors shall serve at the pleasure of the Class "B" Member, who shall retain the absolute right to appoint and remove Class "B" Directors at any time, with or without cause, and shall otherwise serve until such time as all directors are required to be elected by the Class "A" Members.

3.6. Specific Elections and Board Transition Periods. Notwithstanding any other provision of these By-Laws:

(a) Election after 50 percent of lots sold. Within 30 days after the time that Home Owners own 50 percent of the Lots proposed by the Development Agreement, as it may be amended, or whenever the Class "B" Member earlier determines, (i) the Board shall be increased to five directors, and (ii) the Association shall hold an election at which the Class "A" Members shall be entitled to elect two of the five directors, who shall serve as at-large directors and shall serve staggered, two-year terms. If such directors' terms expire prior to the happening of the event described in subsection (b) below, successors shall be elected for like terms. The remaining three directors shall be appointees of the Class "B" Member and shall remain so until the Conversion, as defined in subsection (c) below.

(b) 2009 annual meeting election. At the annual meeting held in May 2009, the Board shall be increased from five to seven directors, with the Class "A" Members entitled to be represented by four of the seven directors. The Association shall hold a corresponding vote of the Class "A" Members to elect three Class "A" Directors (i.e., to fill the two newly-created director seats and the one pre-existing seat occupied by a Class "A" Director and set to expire).

In order to maintain staggered terms, one of these three seats shall be subject to an initial term of one year. Which director-elect receives the shortened initial term depends on the number of candidates in the 2009 election. If the number of candidates is greater than or equal to three, the one candidate elected with the fewest number of votes shall serve the initial one-year term, with tie votes settled as provided in Section 3.7 below. If the number of candidates is fewer than three, all candidates shall be declared elected by the Board without a formal vote of the Members as provided in Section 3.8 below, and the candidate(s) so declared elected shall serve full, two-year initial terms. The Class "A" Director seat(s) that remain unfilled shall be treated as vacant seats and filled as provided in Section 3.10 below, with the seat so filled (or one of such seats, if more than one) designated to carry an initial term of one year.

For that period of time beginning when the Board is expanded to seven directors at the 2009 annual meeting of the Association and ending with the election to be held after the Class "B" Control Period terminates (*see* subsection (c) below), the intention of the Members is that the Class "B" Member shall retain majority voting control of the Board. As such, notwithstanding any provision in these By-Laws to the contrary, during such period of time and only during such period of time, the voting power on the Board shall be allocated as follows: one vote each to every Class "B" Director and one-half vote each to every Class "A" Director.

(c) Election after Class "B" Control Period terminates. Within 120 days after the termination of the Class "B" Control Period, or whenever the Class "B" Member earlier determines, the three Class "B" Directors shall resign and vacate their seats. Two of the related director seats shall terminate at that time and the surviving seat shall convert over to control by the Class "A" Members (such event being referred to herein as the "Conversion"), thereby resulting in a five-member Board subject to full control by the Class "A" Members. If not accomplished earlier by act of the Class "B" Member, the Conversion shall be deemed to occur *ipso facto* on of the 120th day after the Class "B" Control Period terminates, with no corresponding need for action or approval by the Class "B" Member or the Class "B" Directors.

As soon as practicable after the Conversion, the surviving, newly-converted seat shall be filled by vote of the Class "A" Members. In an attempt to avoid the costs and confusion associated with holding more than one director election in the same 12-month period, the Class "B" Member is encouraged, but not required, to cause the Conversion to occur in conjunction with an annual meeting of the Association. If the Conversion does so occur, there will be three total director seats to be filled by vote of the Class "A" Members (i.e., the two existing Class "A" Director seats with expiring terms and the one newly-converted director seat).

In the event that the Conversion does not occur in conjunction with an annual meeting of the Association, the President shall call a special meeting of the Association for the purposes of holding a vote of the Class "A" Members to fill the one surviving, newly-converted

director seat. In such event, the initial term for this seat shall be two years plus such additional time as may remain before the next annual meeting of the Association.

The foregoing notwithstanding, the Declaration provides that the Class "B" membership may continue to exist for as long as two years after the Class "B" Control Period terminates, after which time the Class "B" membership converts to Class "A" membership. As such, at the director election held in conjunction with the Conversion or any subsequent director election, if the Class "B" membership has not formally terminated and converted to Class "A" membership, the Class "B" Member shall be entitled to cast one vote for each Lot owned, in like manner as a Class "A" Member.

3.7. Voting in Director Elections; Tie Votes. For all director elections, each Class "A" Member shall be entitled to cast one vote with respect to each director vacancy to be filled. The right of a Class "A" Member to cast votes is subject to the other conditions and requirements in the By-Laws, the Declaration and the Voting and Elections Policy. There shall be no cumulative voting. The candidate(s) receiving the highest number of votes shall be elected to the vacant director seat(s). In the case of a tie vote among two or more candidates that precludes a final determination as to which candidates have been elected or the term length that a particular director-elect shall serve, the tie shall be broken by one or more flips of a coin conducted and overseen by an election official. All candidates involved in the tie breaker shall be given an opportunity to be personally present or represented by a designated individual at the tie breaker.

3.8. Authority to Suspend Vote and Declare a Winner. If, in accordance with these By-Laws, the Declaration and the Voting and Elections Policy, the number of candidates for a particular election (i) shall be fewer than the number of director seats up for election, or (ii) shall be equal to the number of director seats up for election and all such seats are to carry the same term length, then the Board of Directors, acting by and through its disinterested directors, even if less than a quorum, shall cancel the related vote and declare the candidate(s) elected to the vacant seat(s). The term for any candidate so declared a director shall commence after that point in time at which the election would have occurred.

3.9. Removal of Directors. A Class "A" Director can be removed, with or without cause, by vote of the Class "A" Members. Additionally, a Class "A" Director who (i) has three consecutive Unexcused Absences from Board meetings, (ii) after election, loses his status as a Member in Good Standing or represents an entity Owner who loses its status as a Member in Good Standing, or (iii) violates the any Code of Conduct rule applicable to directors may be removed by vote of the majority of disinterested directors present at a regular or special meeting of the Board at which a quorum is established. Any Class "A" Director whose removal is sought shall be given notice prior to any meeting called and noticed for that purpose.

As provided in Section 3.5 above, a Class "B" Director can be removed only by the Class "B" Member.

3.10. Director Vacancies. Class "A" Director vacancies can occur midterm as a result of removal (i.e., by Class "A" Member or Board vote), disqualification (e.g., the sale of the director's Lot or some other event causing the director to no longer meet the qualification requirements established in these By-Laws), or otherwise (e.g., death, disability, or resignation). Vacancies can

also occur at the beginning of a new term as a result of there being fewer qualified candidates than the number of Class "A" Director seats up for election. Irrespective of the cause or timing of the vacancy of a Class "A" Director seat, the vacancy shall be filled by subsequent vote of the Class "A" Members. As a general rule, the related vote shall be held in conjunction with a special meeting of the Association. The foregoing notwithstanding, and in order to avoid the cost and confusion of holding multiple Class "A" Director elections within a relatively short period of time, the vacancy shall be filled at the next annual meeting of the Association if the vacancy occurs fewer than 180 days prior to the date on which that annual meeting is scheduled.

As provided in Section 3.5 above, a vacancy of a Class "B" Director seat shall be filled solely by the Class "B" Member.

B. Meetings.

3.11. Organizational Meetings. Each newly-reconstituted Board shall hold its first meeting as soon as possible after an election of directors, but in no event more than 10 days after such election. At such meeting the Board shall elect officers and conduct other appropriate business. Events that constitute a meeting of the Board shall be as defined in the Open Meetings and Access to Information Policy.

3.12. Regular Meetings. Regular meetings of the Board may be held at such time and place as the Board shall determine, but at least one such meeting shall be held each quarter. Notice of the time and place of the meeting shall be communicated to directors not less than 72 hours prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting. Notice of meetings must be provided to the membership in accordance with the Open Meetings and Access to Information Policy.

3.13. Special Meetings. Special meetings of the Board shall be held when called by written notice signed by the President or by directors holding at least 40 percent of the total votes on the Board. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each director by: (a) personal delivery; (b) first class mail, postage prepaid; (c) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; (d) facsimile; or (e) email or similar electronic communication. All such notices shall be delivered to or by means of the director's telephone or fax number, e-mail address, or mailing address shown on the records of the Association. Notices to directors sent by mail shall be sent first class and shall be deposited into a United States mailbox at least seven business days before the time set for the meeting. Notices to directors delivered by personal delivery, telephone, facsimile, email, or other means shall be delivered or transmitted at least 72 hours prior to the time set for the meeting.

Notice of a special meeting of the Board shall be provided to the Members in accordance with the Open Meetings and Access to Information Policy.

3.14. Waiver of Notice. The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular

call and notice if (a) a quorum is present, (b) either before or after the meeting each of the directors not present delivers to the Board a written waiver of notice, a consent to holding the meeting, an approval of the minutes, or any other expression of the absent director that he approves of and ratifies the action taken at the meeting, and (c) any notice requirements outlined in the Open Meetings and Access to Information Policy have been followed. Such waiver, consent, approval or expression (i) shall be deemed "written" if provided by means of a written or typed instrument or by means of facsimile transmission, e-mail or such similar device from which a printed record can be generated, and (ii) need not specify the purpose of the meeting. Notice of a meeting also shall be deemed waived by any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.15. Quorum of Board of Directors. At all meetings of the Board, the presence of directors holding a majority of the voting power on the Board shall constitute a quorum for the transaction of business, and a majority of the votes present at a meeting at which a quorum is established shall constitute the decision of the Board, unless otherwise specifically provided in these By-Laws, the Declaration, or State law. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business that might have been transacted at the meeting originally called may be transacted without further notice.

3.16. Compensation. No director shall receive any compensation from the Association for acting in such capacity; provided however, any director may be reimbursed for reasonable expenses incurred on behalf of the Association upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board, excluding the interested director(s).

3.17. Conduct of Meetings. The President shall preside over all meetings of the Board, and the Secretary shall keep a minute book of meetings of the Board, recording all resolutions adopted by the Board and all transactions and proceedings occurring at such meetings.

3.18. Open Meetings. Meetings shall be open in accordance with the provisions of the Open Meetings and Access to Information Policy. Additional Meeting requirements include:

(a) No audio or video recording of the meeting may be made, except by the Board or with the Board's prior express consent or except as expressly authorized by law.

(b) Members who are not directors may not participate in Board deliberations under any circumstances, and may not participate in Board discussions unless permission to speak is requested on his or her behalf by a director. In such case, the President may limit the time any Member may speak.

(c) Executive sessions are not open to Members.

(d) The Board may prohibit attendance by non-members, including by the representatives, 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.

(f) The Board may amend the Open Meetings and Access to Information Policy from time to time provided such revisions are not in conflict with these Bylaws or State law.

3.19 Executive Session. The Board may adjourn any regular or special meeting of the Board and reconvene in executive session, in accordance with the Open Meetings and Access to Information Policy.

3.20. Action Without a Formal Meeting. Action may be taken without a formal Board meeting in accordance with the Open Meetings and Access to Information Policy.

3.21. Telephonic Participation. One or more directors may participate in and vote during any regular or special meeting of the Board by telephone conference call, or similar communication equipment by means of which all Persons participating in the meeting can hear each other at the same time, and those directors so participating shall be considered present at such meeting. Any such meeting at which a quorum participates shall constitute a meeting of the Board. Directors may not attend a meeting by proxy, and no director proxy shall count toward quorum.

C. Powers and Duties.

3.22. Powers. The Board shall have all of the powers and duties necessary and appropriate for the administration of the Association's affairs and for performing all responsibilities and exercising all rights of the Association as set forth in the Declaration, these By-Laws, the Articles, and as provided by law. The Board may do or cause to be done all acts and things as are not by the Declaration, Articles, these By-Laws, or Texas law directed to be done and exercised exclusively by the membership generally.

3.23. Duties. The duties of the Board shall include, without limitation:

(a) Preparation and adoption of annual budgets and establishing each Owner's share of the Common Expenses and Neighborhood Expenses, if any;

(b) levying and collecting assessments from the Owners to fund the Common Expenses and Neighborhood Expenses , if any;

(c) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility;

(d) designating, hiring, and dismissing the personnel necessary to carry out the rights and responsibilities of the Association and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

(e) depositing all funds received on behalf of the Association in a bank depository, which the Board shall approve, and using such funds to operate the Association; provided, any reserve fund shall typically be deposited into accounts that carry no material risk of a loss of principal and in depositories other than banks, subject to the Board's reasonable business judgment;

(f) making and amending rules and regulations, including Use Restrictions, policies, and design guidelines, and establishing penalties for infractions thereof;

(g) opening of bank accounts on behalf of the Association and designating the signatories required;

(h) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Declaration and these By-Laws;

(i) enforcing by legal means the provisions of the Declaration, these By-Laws, and the other Governing Documents, and bringing any proceedings that may be instituted on behalf of or against the Owners concerning the Association;

(j) obtaining and carrying property, liability, commercial crime, and other insurance, as provided in these By-Laws and the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;

(k) paying all taxes and/or assessments, which are or could become a lien on the Common Area or a portion thereof;

(l) paying the cost of all services rendered to the Association or its Members and not chargeable directly to specific Owners;

(m) keeping books with detailed accounts of the receipts and expenditures of the Association;

(n) making available to any prospective purchaser of a Lot, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Lot, current copies of the Governing Documents and all other books, records, and financial statements of the Association, except where same may be expressly privileged or protected from disclosure under the Governing Documents or State law; any Person requesting such documents may be required to reimburse the Association for related labor and copy costs;

(o) permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Properties;

(p) indemnifying a director, officer or Committee member, or former director, officer or committee member of the Association to the extent such indemnity is permitted or required by Texas law, the Articles, and these By-Laws;

(q) assisting in the resolution of disputes between Owners and others without litigation, as set forth in the Declaration;

(r) ensuring that their actions comply with any approved and adopted code of conduct or similar policies.

3.24. Right of Class "B" Member to Disapprove Actions. So long as the Class "B" membership exists, the Class "B" Member shall have a right to disapprove any action, rule, policy or program of the Association, the Board, and any Committee which, in the judgment of the Class "B" Member, would tend to: (i) impair rights of the Declarant or its designees under the Declaration or these By-Laws, (ii) interfere with development, construction or marketing of any portion of the Properties, or (iii) diminish the level of services being provided by the Association. This right to disapprove is in addition to, and not in lieu of, any right to approve or disapprove specific actions of the Association, the Board or any Committee as may be granted to the Class "B" Member or the Declarant in the Declaration or these By-Laws.

(a) The Class "B" Member shall be given written notice of all Association, Board and Committee meetings (as the term is defined in the Open Meetings and Access to Information Policy) of the Association and Board. The Class "B" Member shall be given written notice of all proposed actions of the Association, the Board or any Committee to be approved at such meetings or by written consent in lieu of a meeting. Such notice shall be given by certified mail, return receipt requested, or by physical delivery or electronic delivery to the physical or email address, respectively, of the Class "B" Member registered with the Secretary of the Association, as it may change from time to time, and which notice shall, except in the case of the regular meetings held pursuant to the By-Laws, set forth in reasonable particularity the agenda to be followed at said meeting. The Class "B" Member may specify multiple or different email addresses for different types of notices and may, on written notice, revoke its consent to email notice.

(b) The Class "B" Member shall be given the opportunity at each such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein. The Declarant, its representatives or agents may make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject Committee.

(c) No action, policy or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met and the time period set forth in subsection (d) below has expired.

(d) The Class "B" Member, acting through any officer, director, agent or authorized representative, may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written

consent in lieu of a meeting, at any time within 10 days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions, but shall not extend to the requiring of any action or counteraction on behalf of any Committee, the Board, or the Association unless such action or counteraction countermands an action, policy or program that was not properly noticed and implemented in accordance with these By-Laws. The Class "B" Member shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

3.25. Management. The Association may, but shall not be required to, employ a professional management agent or agents at a compensation established by the Board to perform such duties and services as the Board shall authorize. The Declarant, or an affiliate of the Declarant, may be employed as managing agent or manager. The Board may delegate to one of the directors the authority to act on behalf of the Board on all matters relating to the duties of the managing agent or manager, if any, which might arise between meetings of the Board.

3.26. Accounts and Reports. The following management standards of performance shall be followed unless the Board by resolution specifically determines otherwise:

(a) accrual accounting shall be employed, as defined by generally accepted accounting principles;

(b) accounting and controls should conform to generally accepted accounting principles;

(c) cash accounts of the Association shall not be commingled with any other accounts;

(d) no remuneration shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; anything of value received shall benefit the Association;

(e) any financial or other interest which the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board; and

(f) the following financial and related information shall be regularly prepared by the Board and copies made available to any Member in Good Standing of the Association at the expense of the requesting Member within seven days of the request:

(i) The Board shall cause a reserve budget and a Common Expense budget (collectively referred to as the "Budget") for the Association (which includes the budget for each of the Neighborhoods, if any), to be prepared for each calendar year of the Association. The Board shall post written notice in a prominent place within the Properties that the Budget is available at the business office of the Association or at one other suitable location within the Properties.

(ii) The Board shall cause an annual report ("Financial Statement") to be prepared in accordance with generally accepted accounting principles within 120 days after close of the Association's calendar year. The Board shall post written notice in a prominent place within the Properties that the Financial Statement is available at the business office of the Association or at one other suitable location within the Properties. The Financial Statement shall consist of:

- (A) a balance sheet as of the end of the calendar year;
- (B) an income and expense statement for the calendar year, which shall include a schedule of assessments received and receivables identified by the numbers of the Lots and the names of the Owners assessed; and
- (C) a statement of changes in financial position for the calendar year.

Such Financial Statement shall be audited, at the discretion of the Board, by an independent certified public accountant.

(iii) The Board shall do the following at least quarterly:

- (A) cause a current reconciliation of the Association's operating accounts to be made and review the same;
- (B) cause a current reconciliation of the Association's reserve accounts to be made and review the same;
- (C) review the current year's actual reserve revenues and expenses compared to the current year's Budget;
- (D) review the most current account statements prepared by the financial institution where the Association has its operating and reserve accounts;
- (E) review an income and expense statement for the Association's operating and reserve accounts; and
- (F) review the delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent.

3.27. Borrowing. The Association, acting through its Board, shall have the power to borrow money for any legal purpose, including the power to pledge Association assets as security

for such loans, subject to the following conditions. The Board is required to obtain the approval of the Members prior to borrowing money if: (i) the proposed borrowing is for the purpose of making discretionary capital improvements or purchasing additional capital assets, and (ii) the total amount of such borrowing, together with the unpaid balance of previous borrowing, would exceed 10 percent of the budgeted gross expenditures of the Association for that calendar year in which the borrowing would occur. For purposes of this section, budgeted gross expenditures shall not include expenditures related to golf facilities, charter club activities or expenditures charged as a Neighborhood Expense, and the Association shall be deemed to be "borrowing money" if it proposes to enter into a loan or a contractual agreement that is similar in nature and effect to a traditional loan, including but not limited to a lease agreement with an option to purchase at less than fair market value.

In addition to the foregoing, during the Class "B" Control Period, no mortgage lien shall be placed on any portion of the Common Area without the prior approval of the Class "A" Members.

3.28. Rights of the Association. The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, and other owners or residents associations, within the Properties.

3.29. Enforcement.

(a) General. Enforcement of any section provided in the Declaration shall be in a manner consistent with the Declaration and Texas law, including Section 209 of the Texas Property Code, as same may be amended from time to time.

(b) Notice. Prior to issuing fines, suspending common area usage rights, charging a member for a damage assessment, or filing suit other than a suit involving collection of unpaid amounts due the association, the Board or the Covenants Committee shall cause the alleged violator to be served with notice of such violation. The form and content of the violation notice shall be consistent with requirements under State law, if any, including those established under Section 209 of the Texas Property Code.

(c) Hearing. If a Member requests a hearing to discuss a violation, as may be authorized under the Declaration, Section 209 of the Texas Property Code, or other State law, the initial hearing shall be held before the Covenants Committee or, if none, before the Board in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. (See also the Policy for Resident Appeals to Board of Directors).

(d) Appeal. If a hearing is held before a Covenants Committee, the violator shall have the right to appeal the decision to the Board. To perfect this right, a written notice of appeal must be received by the management agent, or a Board-designated agent, within 15 days of the Covenants Committee delivering its decision to the violator. (See also the Policy for Resident Appeals to Board of Directors).

D. Officers

3.30. Officers. The officers of the Association shall be a President, Vice President, Secretary, and Treasurer. The President, Vice President, Secretary and Treasurer shall be elected from among the members of the Board; other officers may, but need not, be members of the Board. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed by the Board. Any two or more offices may be held by the same person, except the offices of President and Secretary or President and Vice-President.

3.31. Election and Term of Office. The officers of the Association shall be elected annually by the Board at the first meeting of the Board following each annual meeting of the Association.

3.32. Removal and Vacancies. Any officer may be removed by the Board whenever in its judgment the best interests of the Association will be served thereby. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Board for the unexpired portion of the term.

3.33. Powers and Duties. The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may specifically be conferred or imposed by the Board. The President shall be the chief executive officer of the Association. The Vice President shall act in the President's absence and shall have all powers, duties and responsibilities provided for the President when so acting. The Secretary shall keep the minutes of all meetings of the Association and the Board, shall have charge of such books and papers as the Board may direct, and shall act in the capacity of President, if the President and Vice-President are absent, and shall have all powers, duties and responsibilities provided for the President when so acting. In the Secretary's absence, any officer directed by the Board shall perform all duties incident to the office of secretary. The Treasurer shall have primary responsibility for the preparation of the Budget, as provided for in the Declaration and these By-Laws, and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

All officers shall ensure that their actions comply with any approved and adopted code of conduct or similar policies.

3.34. Resignation. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

3.35. Agreements, Contracts, Deeds, Leases, Checks, Etc. All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two officers or by such other person or persons as may be designated by resolution of the Board.

3.36. Compensation. Compensation of officers shall be subject to the same limitations as

compensation of directors.

Article IV COMMITTEES

A. Composition

4.1. Composition. The Association's Board may charter advisory committees to advise the Board on affairs of the Association, in addition to the Modifications Committee, Covenants Committee, Nominating Committee, and any other advisory committees called for under these By-Laws or the Declaration (collectively, the "Committees").

Each Committee shall be comprised of Committee members appointed by the Board. Committee members shall be Members of the Association; provided, however, no more than one representative from a Lot may serve on the same Committee at the same time and no individual may serve on more than one Committee at any given time. Membership on a Committee shall additionally be subject to any further conditions that the Board may choose to impose and amend from time to time, including, by way of example, any requirement that Committee members be and remain current on all assessments and other sums due the Association. All Committee members shall abide by any applicable code of conduct or similar Board policies, complete such training or other service requirements as may be established by the Board, and remain a Member in Good Standing with the Association. Each Committee may also have one or more non-voting Association staff liaison(s), as may be determined by the Board.

4.2. Number of Committee Members. The number of members on any one Committee shall be not fewer than three nor more than nine, except as may be provided otherwise in the Declaration. However, the Committees may form and direct sub-committees to assist in the work of the parent Committee.

4.3. Nomination of Committee Members. Except with respect to committee members appointed by the Class "B" Member, nominations to a committee shall be made by a Nominating Committee. Appointments to the Nominating Committee shall be made annually by the Board. The Nominating Committee shall nominate its slate of candidates for committees no later than 30 days before the meeting at which the Board is scheduled to make appointments. The Nominating Committee shall make at least as many nominations as there are vacancies on the related Committee(s).

4.4. Appointments and Term of Office. Notwithstanding any other provision of these By-Laws, Committee members shall be appointed for a term of two years, with terms expiring on either June 30 or December 31. Committee members shall hold office until their respective successors have been appointed. Committee Members may serve no more than two consecutive full terms and must stay off that specific committee for at least one full year after serving two terms. The Board may create different term expiration dates should it deem that appropriate.

4.5. Removal of Committee Members and Vacancies. The Board may remove any Committee member at any time with or without cause. A Committee member whose removal is sought shall be given notice prior to any meeting of the Board called and noticed for the purpose

of considering a motion to remove. Upon removal of a Committee member, a successor shall be appointed by the Board to fill the vacancy for the remainder of the current term. Any such partial term, one year or shorter, filled by a successor Committee member shall not be counted for purposes of any terms limits established in these By-laws for Committee members. A partial term greater than one year in length shall be counted as a full term in calculating term limits.

Any Committee member who has three consecutive Unexcused Absences from Committee meetings, or who loses his status as a Member in Good Standing, shall be removed from the Committee *ipso facto*, with no need for a vote or further action by the Committee, subject to the right of the Board to reinstate the member so removed for good cause shown.

In the event of the death, disability, removal or resignation of a Committee member, the Board shall declare a vacancy and appoint a successor to fill the vacated position for the remainder of the original term. Committee chairpersons are to notify the Chairperson of the Nominating Committee immediately should a vacancy occur.

B. Meetings

4.6. Organizational Meetings. Committees shall hold their first meeting within 30 days after being chartered by the Board.

4.7. Scheduling of Meetings. Regular meetings of Committees may be held at such time and place as the Committee shall determine, but at least one such meeting shall be held each quarter. Notice of the time and place of the meeting with an agenda shall be posted in a prominent place within the Properties and communicated to Committee Members not less than 72 hours prior to the meeting. The scheduling of meetings shall be held in accordance with Board policies.

4.8. Special Meetings. Special meetings of Committees may be held when called by written notice prepared by the Committee Chairperson or by any two Committee members. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each Committee member either by: (a) personal delivery; (b) mail; (c) telephone communication, either directly to the Committee member or to a person at the Committee member's home who would reasonably be expected to communicate such notice promptly to the Committee member; or (d) facsimile, email, or any such other communication device. Notices shall be delivered, telephoned, or transmitted at least 72 hours before the time set for the meeting. The scheduling of meetings shall be held in accordance with Board policies.

4.9. Waiver of Notice. The transactions of any meeting of a Committee, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if a quorum is present. Notice of a meeting also shall be deemed given to any Committee member who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

4.10. Quorum of Committee Members. At all meetings of Committees, a majority of the Committee members shall constitute a quorum for the transaction of business, and the votes of a

majority of the Committee members present at a meeting at which a quorum is present shall constitute the decision of the Committee, unless otherwise specifically provided in these By-Laws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Committee members, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Committee cannot be held because a quorum is not present, a majority of the Committee members present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business that might have been transacted at the meeting originally called may be transacted without further notice.

4.11. Compensation. No Committee member shall receive any compensation from the Association for acting as such; provided however, any Committee member may be reimbursed for expenses incurred on behalf of the Association upon approval of the Board or its designated agent. Nothing herein shall prohibit the Association from compensating a Committee member, or any entity with which a Committee member is affiliated, for services or supplies furnished to the Association in a capacity other than as a Committee member pursuant to a contract or agreement with the Association, provided that such Committee member's interest was made known to the Board prior to entering into such contract and such contract was subsequently approved by the Board.

4.12. Open Meetings. Subject to the ability of a Committee to act without conducting an in-person meeting, Committee meetings shall be open to all Members and Members shall have an opportunity to participate in such meetings, in accordance with the Open Meetings and Access to Information Policy. This section does not limit the ability of a Committee staff liaison to speak at a meeting, which shall be the same as the right of any Committee member to speak.

4.13. Action Without a Formal Meeting. Any action that may be taken at a meeting of a Committee may be taken without a meeting by unanimous written consent of all Committee members if action is required and the Committee members cannot reasonably wait to call a special meeting. The consent must set forth the action to be taken and must be signed by all Committee members. For purposes of this section, a consent shall be deemed to be "written" and "signed" if it is actually in writing or is delivered by email, facsimile, or any other means by which a printed record can be generated. Such consents shall be recorded into the minutes of the next meeting held by the Committee.

4.14. Telephonic Participation. One or more Committee members may participate in and vote during any regular or special meeting of the Committee by telephone conference call or similar communication equipment by means of which all persons participating in the meeting can hear each other at the same time, and those Committee members so participating shall be deemed present at such meeting for purposes of establishing a quorum and voting.

4.15. Powers; Code of Conduct. Committees will have only those powers specifically delegated by the Board in the Committee's charter. Committees may not do or cause to be done acts and things that are not expressly authorized under their charter, the Declaration, Articles, By-Laws, or State law. All Committee members shall operate in accordance with any applicable Code of Conduct policy.

C. Officers

4.16. Officers. Each Committee shall have the following officers: Chairperson, Vice Chair and Secretary. Officers shall be elected from among the members of the Committee by the Committee. The Committee may appoint such other officers, including one or more Assistant Secretaries, as it shall deem desirable, such officers to have the authority and perform the duties prescribed by the Committee.

4.17. Election and Term of Office. The officers of the Committee shall be elected annually by the Committee members.

4.18. Removal and Vacancies. Any Committee officer may be removed from office at any time whenever a majority of the Committee members determine such removal to be in the best interests of the Committee and the Association. The Committee shall elect a Committee member to fill the remaining term of any vacancy in any Committee office.

4.19. Powers and Duties of Officers. The officers of a Committee shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may specifically be conferred or imposed by the Board, the Committee charter and these By-Laws. The Chairperson shall be the chief executive officer of the Committee. The Vice Chair shall act in the Chairperson's absence and shall have all powers, duties and responsibilities provided for the Chairperson when so acting. The Secretary shall keep the minutes of all meetings of the Committee and shall have charge of such books and papers as the Committee may direct. In the Secretary's absence, any officer directed by the Committee shall perform all duties incident to the office of secretary.

4.20. Resignation. Any officer may resign at any time by giving written notice to the Committee Chairperson or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4.21. Parliamentary Rules. Except as may be modified by the Board, *Roberts Rules of Order* (current edition) shall govern the conduct of Committee proceedings when not in conflict with Texas law, the Articles, the Declaration or these By-laws.

4.22. Right of Declarant to Disapprove Actions.

(a) So long as the Declarant retains the authority to appoint directors holding a majority of the votes of the Board, the Declarant shall have a right to disapprove any action, policy or program of the Association, the Board, and any Committee which, in the judgment of the Declarant, would tend to impair rights of the Declarant or its designees under the Declaration or these By-Laws, or interfere with the development, construction or marketing of any portion of the Properties, or diminish the level of services being provided by the Association. This right to disapprove is in addition to, and not in lieu of, any other right to approve or disapprove specific actions of the Association, the Board or any Committee as may be granted to the Declarant in the Declaration or these By-Laws.

(b) The Declarant shall be given the opportunity at each such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein. The Declarant, its representatives or agents may make its concerns, thoughts, and suggestions known to the Committee and/or the members of the subject Committee.

(c) No action, policy or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met and the time period set forth in subsection (d) below has expired.

(d) The Declarant, acting through any officer or director, agent or authorized representative, may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 10 days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions, but shall not extend to the requiring of any action or counteraction on behalf of any Committee, the Board, or the Association unless such action or counteraction countermands an action, policy or program that was not properly noticed and implemented in accordance with these By-Laws. The Declarant shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable federal, state or local laws and regulations.

4.23. Covenants Committee. In addition to any other Committees that the Board may establish pursuant to Section 4.1, the Board may appoint a Covenants Committee consisting of at least three and no more than seven members. Acting in accordance with the provisions of the Declaration, these By-Laws, resolutions the Board may adopt, and State law (including specifically Section 209 of the Texas Property Code), the Covenants Committee shall be the hearing tribunal of the Association and shall conduct all initial hearings held pursuant to Section 3.29 of these By-Laws. The Board may also appoint a subcommittee consisting of at least three and no more than seven members to function as the jury of facts for all hearings held pursuant to Section 3.29.

4.24 Appeals. Other than appeals of enforcement actions, which are handled as provided in Section 3.29, any Member may appeal a decision or ruling of a Committee that affects such Member to the Board. The Board shall have the sole discretion in determining whether it will hear the appeal and, if so, whether to affirm or overturn the decision or ruling of the Committee. The Board may adopt policies governing the procedure to be used for any appeal.

Article V MISCELLANEOUS

5.1. Fiscal Year. The fiscal year of the Association shall be January 1 through December 31, unless otherwise established by Board resolution.

5.2. Parliamentary Rules. Except as may be modified by Board resolution, *Robert's Rules of Order* (current edition) shall govern the conduct of Association proceedings when not in conflict with Texas law, the Articles, the Declaration, or these By-Laws.

5.3. Conflicts. If there are conflicts between the provisions of Texas law, the Declaration, the Articles, these By-Laws, and any other Governing Documents, the provisions of Texas law, the Declaration, the Articles, these By-Laws, and the other Governing Documents (in that order) shall control.

5.4. Books and Records.

(a) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Lot, any Member, or the duly appointed representative of any of the foregoing, at any reasonable time and for a purpose reasonably related to his or her interest in a Lot: the Declaration, By-Laws, Articles, other Governing Documents, any amendments to the foregoing, the membership register, the most recent Financial Statement, the current Budget, books of account, and the minutes of meetings of the Members, the Board, and Committees. The Board shall provide for such inspection to take place at the office of the Association or at such other place within the Properties as the Board shall designate.

(b) Rules for Inspection. The Board shall establish reasonable rules for inspection of books and records with respect to:

- (i) notice to be given to the custodian of the records;
- (ii) hours and days of the week when such an inspection may be made; and
- (iii) payment of the cost of reproducing copies of documents requested.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the expense of the Association in furtherance of such director's duties as a director.

5.5. Notices. Unless otherwise provided in these By-Laws, all notices, demands, bills, statements, or other communications under these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or once sent by United States mail, first class postage prepaid:

(a) if to a Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Lot of such Member; or

(b) if to the Association, the Board, or the managing agent, at the principal office of the Association or the managing agent, if any, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

5.6. Indemnification. The Association shall indemnify every officer, director,

Committee member, volunteer, agent, staff member and employee against all expenses, including counsel fees, reasonably incurred by them and each of them in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board) to which he or she may be a party by reason of being or having been an officer, director, Committee member, volunteer, agent, staff member or employee of the Association.

The officers, directors, Committee members, volunteers, agents, staff members and employees shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association. The Association shall indemnify and forever hold each such officer, director, Committee member, volunteer, agent, staff member and employee harmless from any and all liability to others on account of any such contract, commitment or action. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any present or former officer, director, Committee member, volunteer, agent, staff member and employee may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

The indemnification provided for herein is subject to any limitations that may exist under State law, including specifically those provided under the Texas Non-Profit Corporation Act or any successor statute.

5.7. Amendments.

(a) By Declarant. Until termination of the Class "B" Membership, Declarant may unilaterally amend these By-Laws for any purpose. Thereafter, the Declarant may unilaterally amend these By-Laws if such amendment is (i) necessary to bring any provision hereof into compliance with any applicable governmental statutes, rule, regulation, or judicial determination; (ii) necessary to enable any reputable title insurance company to issue title insurance coverage on the Lots; (iii) required by an institutional or governmental lender or purchaser of Mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase Mortgage loans on the Lots; (iv) necessary to enable any governmental agency or reputable private insurance company to guarantee or insure Mortgage loans on the Lots; or (v) otherwise necessary to satisfy the requirements of any governmental agency for approval of these By-Laws. However, any such amendment shall not adversely affect the title to any Lot unless the affected Owner shall consent thereto in writing. In addition, so long as the Declarant owns any portion of the Properties or has the right to annex property pursuant to the Declaration, it may unilaterally amend these By-Laws for any other purpose provided that the amendment has no material adverse effect on any right of any Owner. Thereafter and otherwise, these By-Laws may be amended in accordance with Section 5.7(b) or 5.7(c).

(b) By Board. These By-Laws may be amended by resolution duly adopted by the Board and, so long as the Declarant owns any Private Amenity or any portion of the Properties or has the right to annex property pursuant to the Declaration, with the written consent of the Declarant. During that period in which the Declarant has a right to consent to a proposed

amendment of these By-Laws by the Board, the Board shall seek and obtain the written consent of the Declarant to the proposed amendment prior to initiating any vote to amend these By-Laws, and shall not hold a vote to amend these By-Laws unless and until the proposed amendment has been approved in writing by the Declarant. After the expiration of the period in which Declarant has a right to consent to a proposed amendment to these Bylaws, once an amendment has been approved by the Board, such amendment shall become effective unless disapproved by a vote of a majority of the Class "A" Members present at a special meeting at which a quorum of Class "A" votes is present. There shall be no obligation to call such a special meeting unless a valid petition of the Class "A" Members is presented, as further provided in these By-Laws. Such a petition must be presented to the Board within 30 days after notice to the Class "A" Members, by whatever means is deemed appropriate by the Board, that the related amendment has been approved by the Board, after which time the approved amendment shall become effective. The Class "A" Members may not disapprove of an amendment to the Bylaws adopted by the Board and approved by the Declarant so long as the Declarant owns any Private Amenity or any portion of the Properties or has the right to annex property pursuant to the Declaration.

(c) By Members. In addition to the other means provided herein, these By-Laws may be amended by the affirmative vote of 67 percent of the votes cast by the Class "A" Members at a special meeting once a quorum of Class "A" votes is established and, so long as the Declarant owns any Private Amenity or any portion of the Properties or has the unilateral right to annex property pursuant to the Declaration, with the written consent of the Declarant. During that period in which the Declarant has a right to consent to a proposed amendment of these By-Laws by the Class "A" Members, the Board shall seek and obtain the written consent of the Declarant prior to calling any special meeting of the Class "A" Members and initiating any vote to amend these By-Laws, and no such special meeting shall be called or vote held to amend these By-Laws by the Class "A" Members unless and until the proposed amendment has been approved in writing by the Declarant.

(d) Additional Restriction on Votes Needed to Amend. Notwithstanding the above, the percentage of votes necessary to amend a specific clause of the By-laws shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(e) Validity and Effective Date of Amendments. Amendments to these By-Laws shall become effective upon recordation in the Official Public Records of Williamson County, Texas, unless a later effective date is specified therein. An amendment approved by the Board shall not be filed unless and until the 30-days Member petition period referenced in Section 5.7(b) has lapsed without a valid petition being presented. Any procedural challenge to an amendment must be made within six months of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

If a Class "A" Members votes to approve any amendment to the Declaration or these By-Laws, it will be conclusively presumed that such Class "A" Member has the authority to do so, and no contrary provision in any mortgage or contract between the Class "A" Member and a third party will affect the validity of such amendment.

Notwithstanding any provision herein to the contrary, no amendment may remove, revoke, or modify any right or privilege of Declarant without the written consent of Declarant or the assignee of such right or privilege, for as long as the Declarant owns any Private Amenity or any portion of the Properties or has the right to annex property pursuant to the Declaration.

Fileserver:CLIENTS:SunCity:Bylaws Amend 2011:BylawsConsolrevd10-9-11.doc