

NON-PROFIT BYLAWS
OF
PATTISON OAK MEADOWS HOA

(Updated January 16, 2020)

PREAMBLE

The following Bylaws shall be subject to, and governed by, the Non-Profit Corporation Act of Texas and the Articles of Incorporation of Pattison Oak Meadows HOA. In the event of a direct conflict between the herein contained provisions of these Bylaws and the mandatory provisions of the Non-Profit Corporation Act of Texas, said Non-Profit Corporation Act shall be the prevailing controlling law. In the event of a direct conflict between the provisions of these Bylaws and the Articles of Incorporation of Association, it shall then be these Bylaws which shall be controlling.

ARTICLE 1 – NAME

The legal name of the Non-Profit Association shall be known as Pattison Oak Meadows HOA, and shall herein be referred to as the "Association".

ARTICLE 2 – PURPOSE

The general purposes for which this Association has been established are as follows:

The purpose for which the Non-Profit Corporation is formed is set forth in the attached Articles of Incorporation.

The Association is established within the meaning of IRS Publication 557 Section 501(c)(4) Organization of the Internal Revenue Code of 1986, as amended (the "Code") or the corresponding section of any future federal tax code and shall be operated exclusively for home owners association.

In addition, this Association has been formed for the purpose of performing all things incidental to, or appropriate in, the foregoing specific and primary purposes. However, the Association shall not, except to an insubstantial degree, engage in any activity or the exercise of any powers which are not in furtherance of its primary non-profit purposes.

The Association shall hold and may exercise all such powers as may be conferred upon any nonprofit organization by the laws of the State of Texas and as may be necessary or expedient for the administration of the affairs and attainment of the purposes of the Association. At no time and in no event shall the Association participate in any activities which have not been permitted to be carried out by an Association exempt under Section 501(c) of the Internal Revenue Code of 1986 (the "Code").

ARTICLE 3 – OFFICES

The principal office of the Association shall be located at Oak Meadows, Pattison, Texas 77466.

The Association may have other such offices as the Board of Directors may determine or deem necessary, or as the affairs of the Association may find a need for from time to time.

ARTICLE 4 – DEDICATION OF ASSETS

The properties and assets of the Association are irrevocably dedicated to and for non-profit purposes only. No part of the net earnings, properties, or assets of this Association, on dissolution or otherwise, shall inure to the benefit of any person or any member, director, or officer of this Association. On liquidation or dissolution, all remaining properties and assets of the Association shall be distributed and paid over to an organization dedicated to non-profit purposes which has established its tax-exempt status pursuant to Section 501(c) of the Code.

ARTICLE 5 – BOARD OF DIRECTORS

General Powers and Responsibilities

The Association shall be governed by a Board of Directors (the "Board"), which shall have all the rights, powers, privileges and limitations of liability of directors of a non-profit corporation organized under the Non-Profit Corporation Act of Texas. The Board shall establish policies and directives governing business and programs of the Association and shall delegate to the Executive Director and Association staff, subject to the provisions of these Bylaws, authority and responsibility to see that the policies and directives are appropriately followed.

Number and Qualifications

The Board shall have up to six, but no fewer than three, Board members. The number of Board members may be increased beyond six members or decreased to less than three members by the affirmative vote of a two-thirds majority. A Board member must be an Oak Meadows Subdivision, Pattison Texas lot owner.

Board Compensation

The Board shall receive no compensation other than for reasonable expenses. However, provided the compensation structure complies with Sections relating to "Contracts Involving Board Members and/or Officers" as stipulated under these Bylaws, nothing in these Bylaws shall be construed to preclude any Board member from serving the Association in any other capacity and receiving compensation for services rendered.

Board Nominations

Nomination of Candidates

Nominations for candidates of eligible Board of Directors as necessary based on the two-year term policy for the coming year commencing on January 1, shall be made according to the following procedures:

Nomination Committee, Article 7.

Nominations from the floor, nominations do not need to be seconded.

Nominees must have provided prior consent to be nominated and be familiar with the duties of the position for which they are nominated.

Proposed changes to the By-Laws or other proposed changes shall be made according to the following procedure:

Any proposed changes must be submitted to the Board of Directors 14 days prior to the General Membership Meeting.

Any proposed changes must be compiled and transmitted to all Pattison Oak Meadows members at least 7 days prior to the General Membership Meeting.

Discussion of any changes must be included on the agenda at the General Membership Meeting.

Board Elections

The Nominating Committee shall present nominations for new and renewing Board members at the General Membership meeting immediately preceding the beginning of the next fiscal year. New and renewing Board members shall be approved by a majority vote and include votes cast at the meeting at which a quorum is present and include proxy votes cast up to 14 days after the meeting.

Election Procedures

Procedures for conducting the general election may be agreed upon at the General Membership Meeting, or at the discretion of the Board of Directors, they may be decided at a prior Board Meeting.

Procedures for conducting the elections may be chosen as will best serve the needs of the election, given the candidates and proposals that are on the ballot. Elections shall be conducted according to fair and democratic principles, and every reasonable effort shall be made to ensure that the balloting and vote counting process is as accurate and tamper proof as possible.

The ballots shall contain the titles of each permanent office that confers membership on the Board of Directors, and the names of the candidate(s) running for those offices. Provision shall be made to allow for write-in candidates for any office on the ballot.

Each eligible Pattison Oak Meadows HOA lot owner is entitled to cast one vote per lot owned for each office on the ballot and for each proposed change to the By-Laws or other proposed changes. There is no obligation to vote for every office and proposal on the ballot. The lot owner may decline to vote for certain offices or proposals if he or she wishes by simply leaving those areas on the ballot unmarked.

If a ballot indicates a vote for more than one candidate for the same office or for both (yes and no) positions on a proposed change to the By-Laws or other proposed changes,

then no vote from that ballot shall be recorded for that office or proposed change. However, votes indicated on that ballot for any other office or proposed change that are properly marked shall be recorded.

Write-in votes for candidates must clearly identify the person being voted for. Write-in votes will not be recorded for candidates who do not meet the requirements of Article 7 - Nominees.

Write-in votes cannot be conditional statements. An example of a conditional statement would be "Candidate (name 1) if (certain thing) happens, otherwise candidate (name 2). Conditional write-in votes will not be recorded. One exception to this rule will be allowed. If a write-in statement reads to the effect, "Candidate (name) if (he or she) agrees to serve", then the write-in vote shall be recorded.

If a write-in candidate receives more votes for an office than any other person, that candidate shall not be considered elected to the office until he or she has been informed of the result and has consented to serve in that office.

In any election the candidate for an office who receives the greatest number of the eligible votes cast for that office, shall be considered elected to that office, subject to the limitation of Article 5 – Election Procedures.

If two or more candidates for the same office receive an equal number of the eligible votes cast for that office, then the new Board of Directors (including the President, but not including the specific position that tied) shall conduct a tie-breaker vote. The Board of Directors may not cast votes for any other candidate than those who were tied for first place in the general election. The candidate who receives the greatest number of votes shall be declared elected to the office.

Notification of the Election results shall be sent to the Pattison Oak Meadows HOA membership as soon as possible after the election.

Term of Board

All appointments to the Board shall be for a term of 2 year(s). No person shall serve more than 4 consecutive terms unless a majority of the Board, during the course of a meeting at which a quorum is present, votes to appoint a Board member to 1 additional year(s). After serving the maximum total number of consecutive years on the Board, a member may be eligible for reconsideration as a Board member after 1 year has passed since the conclusion of such Board member's service.

Vacancies

A vacancy on the Board of Directors may exist at the occurrence of the following conditions:

- a) The death, resignation, or removal of any director;

- b) The declaration by resolution of the Board of a vacancy in the office of a director who has been declared of unsound mind by a final order of court, convicted of a felony, found by final order or judgment of any court to have breached a duty pursuant to the Corporation Code and/or Act of the law dealing with the standards of conduct for a director, or has missed 3 consecutive meetings of the Board of Directors, or a total of 4 meetings of the Board during any one calendar year;
- c) An increase in the authorized number of directors; or
- d) The failure of the directors, at any annual or other meeting of directors at which director(s) are to be elected, to elect the full authorized number of directors.

Except as provided in this paragraph, any director may resign effective upon giving written notice to the chair of the Board, the president of Association, the secretary of Association, or the Board of Directors, unless the notice specifies a later time for the effectiveness of the resignation. If the resignation is effective at a future time, a successor may be designated to take office when the resignation becomes effective. Unless the Attorney General of Texas is first notified, no director may resign when the Association would then be left without a duly elected director in charge of its affairs.

Any vacancy on the Board may be filled by vote of a simple majority of the directors then in office, whether or not the number of directors then in office is less than a quorum, or by vote of a sole remaining director. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

A Board member elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office.

Resignation

Each Board member shall have the right to resign at any time upon written notice thereof to the Chair of the Board, Secretary of the Board, or the Executive Director. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof, and the acceptance of such resignation shall take effect upon receipt thereof, and the acceptance of such resignation shall not be necessary to make it effective.

Removal

A Board member may be removed, with or without cause, at any duly constituted meeting of the Board, by the affirmative vote of a simple majority, provided that the director to be removed has been notified in writing in the manner set forth in Article 5 – Meetings that such action would be considered at the meeting.

Meetings

The Board's regular meetings may be held at such time and place as shall be determined by the Board. The Chair of the Board or any 3 regular Board members may call a special meeting of the Board with 7 days' written notice provided to each member of the Board and Lot Owner. The notice shall be served via hand delivery, regular mail, email, or fax. Each Lot Owner is responsible for providing current contact information to the secretary. The person(s) authorized

to call such special meetings of the Board may also establish the place the meeting is to be conducted, so long as it is a reasonable place to hold any special meeting of the Board. Any lot owner of Oak Meadows Subdivision may attend any scheduled meeting.

Minutes

The Secretary shall be responsible for the recording of all minutes of each and every meeting of the Board in which business shall be transacted in such order as the Board may determine from time to time. However, in the event that the Secretary is unavailable, the President shall appoint an individual to act as Secretary at the meeting. The Secretary, or the individual appointed to act as Secretary, shall prepare the minutes of the meetings, which shall be delivered to the Association to be placed in the minute books. A copy of the minutes shall be delivered to each Lot Owner via either regular mail, hand delivered, emailed, or faxed within 10 business days after the close of each Board meeting.

Action by Written Consent

Any action required by law to be taken at a meeting of the Board, or any action that may be taken at a meeting of the Board, may be taken without a meeting if consent in writing setting forth the action so taken shall be signed by all Board members. The number of directors in office must constitute a quorum for an action taken by unanimous written consent. Such consent shall be placed in the minute book of the Association and shall have the same force and effect as a unanimous vote of the Board taken at an actual meeting. The Board members' written consent may be executed in multiple counterparts or copies, each of which shall be deemed an original for all purposes. In addition, facsimile signatures and electronic signatures or other electronic "consent click" acknowledgments shall be effective as original signatures.

Quorum

At each meeting of the Board of Directors or Board Committees, the presence of 3 qualified participants shall constitute a quorum for the transaction of business. If at any time the number of votes cast consists of an even number and a vote results in a tie, then the vote of the President shall be the deciding vote. The act of the majority of the Board members serving on the Board or Board Committees and present at a meeting in which there is a quorum shall be the act of the Board or Board Committees, unless otherwise provided by the Articles of Incorporation, these Bylaws, or a law specifically requiring otherwise. If a quorum is not present at a meeting, the Board members present may adjourn the meeting from time to time without further notice until a quorum shall be present. However, a Board member shall be considered present at any meeting of the Board or Board Committees if during the meeting he or she is present via telephone or web conferencing with the other Board members participating in the meeting.

Voting

Voting shall be on a lot basis. The owner of each Lot is entitled to one vote. If a Lot has more than one Owner, the aggregate vote of the Owners of the Lot may not exceed the one vote assigned to the Lot.

Proxy

At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary of the Association.

Board Member Attendance

An elected Board Member who is absent from 3 consecutive regular meetings of the Board during a fiscal year shall be encouraged to reevaluate with the Chair of the Board his/her commitment to the Association. The Board may deem a Board member who has missed 3 consecutive meetings without such a reevaluation with the Chair to have resigned from the Board.

ARTICLE 6 – OFFICERS

Officers and Duties

The Board shall elect officers of the Association which shall include a President (Executive Director), a Secretary, a Treasurer (Chief Financial Officer), and such other officers as the Board may designate by resolution. The same person may hold any number of offices, except that neither the Secretary nor the Treasurer may serve concurrently as the President. In addition to the duties in accordance with this Article, officers shall conduct all other duties typically pertaining to their offices and other such duties which may be required by law, Articles of Incorporation, or by these bylaws, subject to control of the Board of Directors, and they shall perform any other such additional duties which the Board of Directors may assign to them at their discretion.

The officers will be selected by the Board at its annual meeting, and shall serve the needs of the Board, subject to all the rights, if any, of any officer who may be under a contract of employment. Therefore, without any bias or predisposition to the rights of any officer that may be under any contract of employment, any officer may be removed with or without cause by the Board. All officers have the right to resign at any time by providing notice in writing to the President, and/or Secretary of the Association, without bias or predisposition to all rights, if any, of the Association under any contract to which said officer is a part thereof. All resignations shall become effective upon the date on which the written notice of resignation is received or at any time later as may be specified within the resignation; and unless otherwise indicated within the written notice, a stated acceptance of the resignation shall not be required to make the resignation effective.

Any and all vacancies in any office because of death, resignation, disqualification, removal, or for any other cause, shall be filled in accordance to the herein prescribed bylaws for regular appointments to such office. The compensation, if any, of the officers shall be fixed or determined by resolution of the Board of Directors.

President (Executive Director)

It shall be the responsibility of the President, in general, to supervise and conduct all activities and operations of the Association, subject to the control, advice and consent of the Board of Directors. The President shall keep the Board of Directors completely informed, shall freely consult with them in relation to all activities of the Association, and shall see that all orders and/or resolutions of the Board are carried out to the effect intended. The President shall be empowered to act, speak for, or otherwise represent the Association between meetings of the Board. The President, at all times, is authorized to contract, receive, deposit, disburse and account for all funds of the Association, to execute in the name of the Association all contracts and other documents authorized either generally or specifically by the Board to be executed by the Association, and to negotiate any and all material business transactions of the Association.

Secretary

The Secretary, or his/her designee, shall be the custodian of all records and documents of the Association, which are required to be kept at the designated principal office of the Association, and shall act as secretary at all meetings of the Board of Directors, and shall keep the minutes of all such meetings on file in hard copy or electronic format. S/he shall attend to the giving and serving of all notices of the Association and shall see that the seal of the Association, if any, is affixed to all documents, the execution of which on behalf of the Association under its seal is duly authorized in accordance with the provisions of these bylaws.

Treasurer (Chief Financial Officer)

It shall be the responsibility of the Treasurer to keep and maintain, or cause to be kept and maintained, adequate and accurate accounts of all the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements.

The Treasurer shall be responsible for ensuring the deposit of, or cause to be deposited, all money and other valuables as may be designated by the Board of Directors. Furthermore, the Treasurer shall disburse, or cause to be disbursed, the funds of the Association, as may be ordered by the Board of Directors, and shall render to the Chair of the Board, President, and directors, whenever they request it, an account of all the Treasurer's transactions as treasurer and of the financial condition of the Association.

The Treasurer shall give the Association a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of the Treasurer's office and for restoration to the Association of all its books, papers, vouchers, money and other property of every kind in the Treasurer's possession or under the Treasurer's control upon the Treasurer's death, resignation, retirement, or removal from office. The Association shall pay the cost of such a bond.

ARTICLE 7 – COMMITTEES

Committees of Directors

The Board of Directors may, by resolution adopted by a majority of the directors then in office, provided that a quorum is present, designate one or more committees to exercise all or a portion of the authority of the Board, to the extent of the powers specifically delegated in the resolution of the Board or in these bylaws. Each such committee shall consist of two (1) or more directors, and may also include persons who are not on the Board but whom the directors believe to be reliable and competent to serve at the specific committee. However, committees exercising any authority of the Board of Directors may not have any non-director members. The Board may designate one or more alternative members of any committee who may replace any absent member at any meeting of the committee. The appointment of members or alternate members of a committee requires the vote of a majority of the directors then in office, provided that a quorum is present. The Board of Directors may also designate one or more advisory committees that do not have the authority of the Board. However, no committee, regardless of Board resolution, may:

- a) Approve of any action that, pursuant to applicable Law, would also require the affirmative vote of the members of the Board if this were a membership vote.
- b) Fill vacancies on, or remove the members of, the Board of Directors or any committee that has the authority of the Board.
- c) Fix compensation of the directors serving on the Board or on any committee.
- d) Amend or repeal the Articles of Incorporation or bylaws or adopt new bylaws.
- e) Amend or repeal any resolution of the Board of Directors that by its express terms is not so amendable or repeal able.
- f) Appoint any other committees of the Board of Directors or their members.
- g) Approve a plan of merger, consolidation, voluntary dissolution, bankruptcy, or reorganization; or a plan for the sale, lease, or exchange of all or considerably all of the property and assets of the Association otherwise than in the usual and regular course of its business; or revoke any such plan.
- h) Approve any self-dealing transaction, except as provided pursuant to law.

Unless otherwise authorized by the Board of Directors, no committee shall compel the Association in a contract or agreement or expend Association funds.

Meetings and Actions of Committees

Meetings and actions of all committees shall be governed by, and held and taken in accordance with, the provisions of Article 5 - Board of Directors of these bylaws concerning meetings and actions of the directors, with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board of Directors. Notice of special meetings of committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of the committee. Minutes shall be kept of each meeting of any committee and shall be filed with the Association records. The Board of Directors may adopt rules not consistent with the provisions of these bylaws for the governance of any committee.

If a director relies on information prepared by a committee of the Board on which the director does not serve, the committee must be composed exclusively of any or any combination of (a) directors, (b) directors or employees of the Association whom the director believes to be reliable and competent in the matters presented, or (c) counsel, independent accountants, or other persons as to matters which the director believes to be within that person's professional or expert competence.

Executive Committee

Pursuant to Article 7 - Committee of Directors, the Board may appoint an Executive Committee composed of a minimum of 3 directors, one of whom shall be the Chair of the Board of the Board and another shall be either the Secretary, or the Treasurer, to serve on the Executive Committee of the Board. The Executive Committee, unless limited in a resolution of the Board, shall have and may exercise all the authority of the Board in the management of the business and affairs of the Association between meetings of the Board, provided, however, that the Executive Committee shall not have the authority of the Board in reference to those matters enumerated in Article 7 - Committee of Directors. The Secretary of the Association shall send to each director a summary report of the business conducted in any meeting of the Executive Committee.

General Membership Meetings

The Pattison Oak Meadows HOA shall hold a General Membership Meeting each year in the Fall of each year. The purpose of the meeting would be to conduct HOA business, to nominate and vote for candidates as necessary under the two year term policy, which confer membership on the Board of Directors for the coming year, to propose changes to the By-Laws, and to propose other actions that may need to be voted on by the Pattison Oak Meadows HOA membership.

A reasonable effort shall be made to schedule the General Membership Meeting in the month of October.

Nominating Committee

Purpose

It is the task of the Nominating Committee to recognize, recruit and nominate candidates for the elected leadership of the Pattison Oak Meadows HOA, to be presented to the general membership at the General Membership Meeting.

Appointing a Nominating Committee

The Committee Chair is to be selected and agreed upon a majority vote of the Board of Directors, excluding the President at a Board Meeting held no later than July.

The Committee is to consist of at least one (1) additional non-board member, if possible.

The Committee should never be appointed by the President.

The President is not eligible to be elected to or serve on the Committee.

Members of the Committee themselves are not barred from becoming nominees for elected office. Thus, committee members cannot be deprived of the right to hold office by being elected to the Nominating Committee.

Nominees

The nominee must be a current member of the Pattison Oak Meadows HOA in good standing.

Current Board of Directors up for re-election must be re-nominated by the Committee each voting period to continue in their present position.

ARTICLE 8 - STANDARD OF CARE

General

A director shall perform all the duties of a director, including, but not limited to, duties as a member of any committee of the Board on which the director may serve, in such a manner as the director deems to be in the best interest of the Association and with such care, including reasonable inquiry, as an ordinary, prudent, and reasonable person in a similar situation may exercise under similar circumstances.

In the performance of the duties of a director, a director shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by:

- a) One or more officers or employees of the Association whom the director deems to be reliable and competent in the matters presented;
- b) Counsel, independent accountants, or other persons, as to the matters which the director deems to be within such person's professional or expert competence; or
- c) A committee of the Board upon which the director does not serve, as to matters within its designated authority, which committee the director deems to merit confidence,

so long as in any such case the director acts in good faith, after reasonable inquiry when the need may be indicated by the circumstances, and without knowledge that would cause such reliance to be unwarranted.

Except as herein provided in Article 8 - Standard of Care, any person who performs the duties of a director in accordance with the above shall have no liability based upon any failure or alleged failure to discharge that person's obligations as a director, including, without limitation of the following, any actions or omissions which exceed or defeat a public or charitable purpose to which the Association, or assets held by it, are dedicated.

Loans

The Association shall not make any loan of money or property to, or guarantee the obligation of, any director or officer, unless approved by the Texas Attorney General; provided, however, that the Association may advance money to a director or officer of the Association or any subsidiary for expenses reasonably anticipated to be incurred in the performance of the duties of such officer or director so long as such individual would be entitled to be reimbursed for such expenses absent that advance.

Conflict of Interest

The purpose of the Conflict of Interest policy is to protect the Association's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of

one of its officers or directors, or that might otherwise result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable corporations/organizations and is not intended as an exclusive statement of responsibilities.

Restriction on Interested Directors

Not more than 33% (percent) of the persons serving on the Board of Directors at any time may be interested persons. An interested person is (1) any person currently being compensated by the Association for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a director; and (2) any brother, sister, parent, ancestor, descendent, spouse, brother-in-law, sister-in-law, son-in-law, mother-in-law, or father-in-law of any such person. However, any violation of the provisions of this section shall not affect the validity or enforceability of any transaction entered into by the interested person.

Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors who are considering the proposed transaction or arrangement.

Establishing a Conflict of Interest

After the disclosure of the financial interest and all material facts, and after any discussion with the interested person, the interested person shall leave the Board meeting while the potential conflict of interest is discussed and voted upon. The remaining Board members shall decide if a conflict of interest exists.

Addressing a Conflict of Interest

In the event that the Board should establish that a proposed transaction or arrangement establishes a conflict of interest, the Board shall then proceed with the following actions:

- a) Any interested person may render a request or report at the Board meeting, but upon completion of said request or report the individual shall be excused while the Board discusses the information and/or material presented and then votes on the transaction or arrangement proposed involving the possible conflict of interest.
- b) The Chair of the Board of the Board shall, if deemed necessary and appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c) After exercising due diligence, the Board shall determine whether the Association can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- d) If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the best interest of the Association, for its own benefit, and whether it is fair and

reasonable. It shall make its decision as to whether to enter into the transaction arrangement in conformity with this determination.

Violations of Conflict of Interest Policy

Should the Board have reasonable cause to believe an interested person has failed to disclose actual or possible conflicts of interest, the Board shall then inform the interested person of the basis for such belief and afford the interested person an opportunity to explain the alleged failure to disclose.

If, after hearing the interested person's explanation, and after making further investigation as may be warranted in consideration of the circumstances, the Board determines the interested person intentionally failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Procedures and Records

All minutes of the Board Meetings, when applicable, shall contain the following information:

- a) The names of all the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Board's decision as to whether a conflict of interest in fact existed.
- b) The names of the persons who were present for discussions and any votes relating to the transaction or arrangement, the content of the discussions, including any alternatives to the proposed transaction or arrangement, and a record of any vote taken in connection with the proceedings.

Acknowledgement of Conflict of Interest Policy

Each director, principal officer, and member of a committee with Board delegated powers shall be required to sign a statement which affirms that such person:

- a) Has received a copy of the conflict of interest policy;
- b) Has read and understands the policy;
- c) Has agreed to comply with the policy; and
- d) Understands that the Association is charitable, and in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Violation of Loyalty - Self-Dealing Contracts

A self-dealing contract is any contract or transaction (i) between this Association and one or more of its Directors, or between this Association and any corporation, firm, or association in which one or more of the Directors has a material financial interest ("Interested Director"), or (ii) between this Association and a corporation, firm, or association of which one or more of its directors are Directors of this Association. Said self-dealing shall not be void or voidable

because such Director(s) of corporation, firm, or association are parties or because said Director(s) are present at the meeting of the Board of Directors or committee which authorizes, approves or ratifies the self-dealing contract, if:

- a) All material facts are fully disclosed to or otherwise known by the members of the Board and the self-dealing contract is approved by the Interested Director in good faith (without including the vote of any membership owned by said interested Director(s));
- b) All material facts are fully disclosed to or otherwise known by the Board of Directors or committee, and the Board of Directors or committee authorizes, approves, or ratifies the self-dealing contract in good faith—without counting the vote of the interest Director(s)—and the contract is just and reasonable as to the Association at the time it is authorized, approved, or ratified; or
- c) As to contracts not approved as provided in above sections (a) and/or (b), the person asserting the validity of the self-dealing contract sustains the burden of proving that the contract was just and reasonable as to the Association at the time it was authorized, approved, or ratified.

Interested Director(s) may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a committee thereof, which authorizes, approves, or ratifies a contract or transaction as provided for and contained in this section.

Indemnification

To the fullest extent permitted by law, the Association shall indemnify its "agents," as described by law, including its directors, officers, employees and volunteers, and including persons formerly occupying any such position, and their heirs, executors and administrators, against all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by them in connection with any "proceeding," and including any action by or in the right of the Association, by reason of the fact that the person is or was a person as described in the Non-Profit Corporation Act. Such right of indemnification shall not be deemed exclusive of any other right to which such persons may be entitled apart from this Article.

The Association shall have the power to purchase and maintain insurance on behalf of any agent of the Association, to the fullest extent permitted by law, against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, or to give other indemnification to the extent permitted by law.

ARTICLE 9 – EXECUTION OF CORPORATE INSTRUMENTS

Execution of Corporate Instruments

The Board of Directors may, at its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute any corporate instrument or document, or to sign the corporate name without limitation, except when otherwise provided by law, and such execution or signature shall be binding upon the Association.

Unless otherwise specifically determined by the Board of Directors or otherwise required by law, formal contracts of the Association, promissory notes, deeds of trust, mortgages, other evidences of indebtedness of the Association, other corporate/organization instruments or documents, memberships in other corporations/organizations, and certificates of shares of stock owned by the Association shall be executed, signed, and/or endorsed by the Secretary, Treasurer, President.

All checks and drafts drawn on banks or other depositories on funds to the credit of the Association, or in special accounts of the Association, shall be signed by such person or persons as the Board of Directors shall authorize to do so.

Loans and Contracts

No loans or advances shall be contracted on behalf of the Association and no note or other evidence of indebtedness shall be issued in its name unless and except as the specific transaction is authorized by the Board of Directors. Without the express and specific authorization of the Board, no officer or other agent of the Association may enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association.

ARTICLE 10 – RECORDS AND REPORTS

Maintenance and Inspection of Articles and Bylaws

The Association shall keep at its principal office the original or a copy of its Articles of Incorporation and bylaws as amended to date, which shall be open to inspection by the directors at all reasonable times during office hours.

Maintenance and Inspection of Federal Tax Exemption Application and Annual Information Returns

The Association shall keep at its principal office a copy of its federal tax exemption application and its annual information returns for three years from their date of filing, which shall be open to public inspection and copying to the extent required by law.

Maintenance and Inspection of Other Corporate Records

The Association shall keep adequate and correct books and records of accounts and written minutes of the proceedings of the Board and committees of the Board. All such records shall be kept at a place or places as designated by the Board and committees of the Board, or in the absence of such designation, at the principal office of the Association. The minutes shall be kept in written or typed form, and other books and records shall be kept either in written or typed form or in any form capable of being converted into written, typed, or printed form. Upon leaving office, each officer, employee, or agent of the Association shall turn over to his or her successor or the President, in good order, such corporate/organization monies, books, records, minutes, lists, documents, contracts or other property of the Association as have been in the custody of such officer, employee, or agent during his or her term of office.

Every Lot Owner shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the Association and each of its subsidiary corporations/organizations. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts of documents.

Preparation of Annual Financial Statements

The Association shall prepare annual financial statements using generally accepted accounting principles. The Association shall make these financial statements available to the Texas Attorney General and members of the public for inspection no later than 60 days after the close of the fiscal year to which the statements relate.

Reports

The Board shall ensure an annual report is sent to all Lot Owners within 60 days after the end of the fiscal year of the Association, which shall contain the following information:

- a) The assets and liabilities, including trust funds, of this corporation at the end of the fiscal year.
- b) The principal changes in assets and liabilities, including trust funds, during the fiscal year.
- c) The expenses or disbursements of the Association for both general and restricted purposes during the fiscal year.
- d) The information required by Non-Profit Corporation Act concerning certain self-dealing transactions involving more than \$50,000 or indemnifications involving more than \$10,000 which took place during the fiscal year.

The report shall be accompanied by any pertinent report from an independent accountant or, if there is no such report, the certificate of an authorized officer of the Association that such statements were prepared without audit from the books and records of the Association.

ARTICLE 11 – FISCAL YEAR

The fiscal year for this Association shall begin on January 1 and end on December 31.

ARTICLE 12 – AMENDMENTS AND REVISIONS

These bylaws may be adopted, amended, or repealed by the vote of a two-thirds majority of the Lot Owners. Such action is authorized only at a duly called and held meeting of the Board of Directors for which written notice of such meeting, setting forth the proposed bylaw revisions with explanations therefore, is given in accordance with these bylaws. If any provision of these bylaws requires the vote of a larger portion of the Board than is otherwise required by law, that provision may not be altered, amended or repealed by that greater vote.

ARTICLE 13 – CORPORATE/ORGANIZATION SEAL

The Board of Directors may adopt, use, and alter a corporate/organization seal. The seal shall be kept at the principal office of the Association. Failure to affix the seal to any Association instrument, however, shall not affect the validity of that instrument.

ARTICLE 14 – CONSTRUCTION AND DEFINITIONS

Unless the context otherwise requires, the general provisions, rules of construction, and definitions contained in the Non-Profit Corporation Act as amended from time to time shall govern the construction of these bylaws. Without limiting the generality of the foregoing, the masculine gender includes the feminine and neuter, the singular number includes the plural and the plural number includes the singular, and the term "person" includes a Association as well as a natural person. If any competent court of law shall deem any portion of these bylaws invalid or inoperative, then so far as is reasonable and possible (i) the remainder of these bylaws shall be considered valid and operative, and (ii) effect shall be given to the intent manifested by the portion deemed invalid or inoperative.

CERTIFICATE OF SECRETARY

I, _____, certify that I am the current elected and acting Secretary of the benefit Association, and the above bylaws are the bylaws of this Association as adopted by the Board of Directors on, and that they have not been amended or modified since the above.

EXECUTED on this day of _____, in the County of Waller in the State of Texas.

(Duly Elected Secretary)