

**BYLAWS
OF
BLUESTEM RESERVE
OWNERS ASSOCIATION, INC.**

(A Texas Property Owners Association)

PROPERTY

These Bylaws pertain to BLUESTEM RESERVE, a planned community of 29 tracts of land located in Guadalupe County, Texas. These Bylaws are to be recorded in the Real Property Records of Guadalupe County, Texas.

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**ARTICLE 1
INTRODUCTION**

1.1. Property. These Bylaws provide for the governance of BLUESTEM RESERVE, a planned community located in Guadalupe County, Texas (the "Community").

1.2. Declaration. The Community is subject to a number of publicly recorded documents, including the Declaration of Covenants, Conditions and Restrictions for BLUESTEM RESERVE, recorded or to be recorded in the Real Property Records of Guadalupe County, Texas (the "Declaration").

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

1.4. Declarant Control. Notwithstanding anything to the contrary in these Bylaws, a number of provisions in these Bylaws are modified by Declarant's rights and reservations under the Declaration during the Declarant Control Period and the Development Period, such as the number, qualification, appointment, removal, and replacement of directors, as well as the weight of votes allocated to Tracts owned by Declarant. See Article 14 of the Declaration, which has priority over these Bylaws.

1.5. Parties To Bylaws. All present or future Tract Owners and all other persons who use or occupy the property in the Community in any manner are subject to these Bylaws, the Declaration, and the other Governing Documents as defined in the Declaration. The mere acquisition of a Tract or occupancy of a dwelling will signify that these Bylaws are accepted, ratified, and will be strictly followed.

1.6. Type Of Organization. As an organization of Tract Owners, the Association is created by its Certificate of Formation, the Declaration and these Bylaws. The Association is a nonprofit organization and is incorporated.

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

1.8. General Powers And Duties. The Association, acting through the Board, has the powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of the Community as may be required or permitted by the Governing Documents and applicable law. The Association may do any and all things that are lawful and which are necessary, proper or desirable in operating for the best interests of its Members, subject only to limitations upon the exercise of such powers as may be contained in applicable law or the Governing Documents.

**ARTICLE 2
BOARD OF DIRECTORS**

2.1. Number And Term Of Office. After the Declarant Control Period, the Board will consist of three persons. The number of directors may be changed by amendment of these Bylaws, but may not be less than three. Upon election, each director will serve a term of 2 years except as provided in Section 2.2. A director takes office upon the adjournment of the meeting or balloting at which he is elected or appointed and, absent death, ineligibility, resignation, or removal, will hold office until his successor is elected or appointed.

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

2.3. Qualification. The following qualifications apply to the election or appointment of persons to the Board. (See Article 14 of the Declaration for the number and qualifications of directors during the Declarant Control Period.)

2.3.1. *Owners.* At least a majority of the directors must be Members of the Association, spouses of Members, or residents of the Community.

2.3.2. *Entity Member.* If a Tract is owned by a legal entity, such as a partnership or corporation, any officer, partner, agent, or employee of that entity member is eligible to serve as a director and is deemed to be a Member for the purposes of this Section. If the relationship between the entity Member and the director representing it terminates, that directorship will be deemed vacant.

2.4. Election. Directors will be elected by the Members of the Association. The election of directors will be conducted at the annual meeting of the Association, at any special meeting called for that purpose, or by any method permitted by applicable law, such as Section 22.160(d) of the Code, which may include, without limitation, mail, facsimile transmission, electronic mail, or a combination of any of these.

2.5. Vacancies. Subject to the exceptions below, vacancies on the Board caused by any reason are filled by a vote of the majority of the remaining directors, even though less than a quorum, at any meeting of the Board. Each director so elected serves until the next meeting of the Association, at which time a successor will be elected to fill the remainder (if any) of the term that was vacated. The exceptions to Board-elected replacements are (1) the removal of a director by a vote of the Association's Members, who will elect a replacement, and (2) a vacancy occurring because of an increase in the number of directors, which also will be filled by election of the Members.

2.6. Removal of Directors.

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

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

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

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

2.7. Meetings of the Board.

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

2.7.2. *Place of Board Meetings.* The Board will conduct its meetings at a location that is reasonably convenient for the greatest number of directors, and at a place or facility that is sufficiently large to accommodate the number of Owners who typically attend Board meetings as observers. Except when meetings are held by electronic or telephonic means under Section 209.0051(h) of the Texas Property Code, a Board meeting must be held in Guadalupe County, Texas. The decision of where to meet may be made on a meeting by meeting basis by the officer or director who calls the meeting, by Board resolution, or by any other practice that is customary for property owners associations. The Board is not required (1) to conduct its meetings at the Community, (2) to maintain a fixed place for its meetings, (3) to select a location that is convenient to Owners, or (4) to select a facility that accommodates a larger number of spectator members than is customary.

2.7.3. *Types of Board Meetings.* Regular meetings of the Board may be held at a time and place that the Board determines, from time to time, but at least one such meeting must be held each calendar quarter, with or without notice. Special meetings of the Board may be called, with notice, by the president or, if he is absent or refuses to act, by the secretary, or by any 2 directors. In case of emergency, the Board may convene an emergency meeting for the purpose of dealing with the emergency after making a diligent attempt to notify each director by any practical method.

2.7.4. *Notice to Directors of Board Meetings.* Notice is not required for regular meetings of the Board, provided all directors have actual or constructive knowledge of the meeting date, time, and place. Notice of a special meeting must be given at least 72 hours in advance of the meeting. If notice is given, it may be given by any method or combination of methods that is likely to impart the information to the directors.

2.7.5. *Notice to Members of Board Meetings.* Members must be given notice of the date, hour, place and general subject of a regular or special Board meeting, including a general description of any matter to be brought up for deliberation in executive session. The notice must be mailed to each Member not later than the 10th day or earlier than the 60th day before the date of the meeting; or provided at least 72 hours before the start of the meeting by posting the notice in a conspicuous manner reasonably designed to provide notice to Members in a place located in the Common Area or, with the Owner's consent, on other conspicuously located privately owned property within the Community; or on any Internet website maintained by the Association or other Internet media; and sending the notice by e-mail to each Owner who has registered an e-mail address with the Association. It is an Owner's duty to keep an updated e-mail address registered with the Association.

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

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

2.7.8. *Minutes.* The written report of a Board meeting is not the minutes of the meeting until approved by the directors at a future meeting. The minutes must report actions taken by the Board, but need not report the substance of discussion. The Board is not required to distribute minutes of its meetings to the Members.

Meeting records, including minutes, will be available to a Member for inspection and copying as provided by Section 209.0051(d) of the Texas Property Code and Board policy regarding copying.

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

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

- a. No audio or video recording of the meeting may be made, except by the Board or with the Board's prior express consent.
- b. Members who are not directors may not participate in Board deliberations under any circumstances, and may not participate in Board discussions unless the board expressly so authorizes at the meeting.
- c. Executive sessions are not open to Members.
- d. The Board may prohibit attendance by non-members, including 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.

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

- a. The nature of business to be considered in executive session will first be announced in open session.
- b. No action may be taken nor decision made in executive session, which is for discussion and informational purposes only.
- c. The limited purposes for which the Board may convene in executive session are to consider actions involving personnel, pending or threatened litigation, contract negotiations, enforcement actions, confidential communications with the Association's attorney, matters involving the invasion of privacy of individual Owners, or matters that are to remain confidential by request of the affected parties and agreement of the Board.
- d. At the end of the executive session, the Board must return to the open meeting and announce the general nature of the business that was considered in executive session. Any vote, act or decision made in executive session must be summarized orally and placed in the minutes, in general terms, without breaching the privacy of individual Owners, violating any privilege or disclosing information that was to remain confidential at the request of the affected parties. The oral summary must include a general explanation of expenditures approved in executive session. This section applies to a meeting of the Association Board during the Declarant Control Period only if the meeting is conducted for the purpose of adopting or amending the Governing Documents of the Association, increasing the amount of Regular Assessments of the Association or adopting or increasing a Special Assessment; electing non-developer Board Members of the Association or establishing a process by which those Members are elected; or changing the voting rights of Members of the Association.

2.7.12. *Method of Meeting.* The Board may meet by any method of communication, including electronic and telephonic, without prior notice to Owners, if each director may hear and be heard by every other director. A remote electronic communications system, including videoconferencing technology or the Internet, may be used only if each person entitled to participate in the meeting consents to the meeting being held by means of that system, and the system provides access to the meeting in a manner or using a method by which each person participating in the meeting can communicate concurrently with each other participant. Any action taken without notice to Owners must be summarized orally, including an explanation of any known or actual or estimated expenditures approved at the meeting, and documented in the minutes of the next regular or special Board Meeting. The Board may not, without prior notice to Owners, consider or vote on fines, damage assessments, initiation of foreclosure actions, initiation of enforcement actions, excluding temporary restraining orders or violations involving a threat to health or safety, increase in Regular Assessments, levying of Special Assessments, appeals from a denial of architectural control approval, or a suspension of a right of a particular Owner before the Owner has an opportunity to attend a Board meeting to present the Owner's position, including any defense, on the issue.

2.8. *Action Without Meeting.* Any action required or permitted to be taken by the Board at a meeting may be taken without a meeting, subject to the following requirements:

2.8.1. *Unanimous Consents.* If all directors individually or collectively consent in writing to such action, the written consents have the same force and effect as the unanimous approval of directors at a meeting.

2.8.2. *Matters for Consideration.* The matters to be considered are routine or administrative in nature or reasonably unforeseen emergency or urgent necessity that requires immediate Board Action.

2.8.3. *Procedures.* Written consents must state the date of each director's signature. The required number of written consents must be received by the Association within 60 days after the date of the earliest dated consent. Written consents must be filed with the minutes of Board meetings. Additional procedures may be required by the Code.

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

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

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

ARTICLE 3 OFFICERS

3.1. *Designation.* The principal officers of the Association are the president, the vice-president, the secretary and the treasurer. The Board may appoint one or more vice-presidents and other officers and assistant officers as it deems necessary. The president must be a director. Other officers may, but need not, be Members or directors. Any two offices may be held by the same person, except the offices of president and secretary. If an officer is absent or unable to act, the Board may appoint a director or a committee to perform the duties of that officer and to act in place of that officer, on an interim basis.

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

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

3.4. Description of Principal Offices.

3.4.1. *President.* As the chief executive officer of the Association, the president: (1) presides at all meetings of the Association and of the Board; (2) has all the general powers and duties which are usually vested in the office of president of an organization; (3) has general supervision, direction, and control of the business of the Association, subject to the control of the Board; and (4) sees that all orders and resolutions of the Board are carried into effect.

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

3.4.3. *Secretary.* The secretary: (1) keeps the minutes of all meetings of the Board and of the Association; (2) has charge of such books, papers and records as the Board may direct; (3) maintains a record of the names and addresses of the Members for the mailing of notices; and (4) in general, performs all duties incident to the office of secretary.

3.4.4. *Treasurer.* The treasurer: (1) is responsible for Association funds; (2) keeps full and accurate financial records and books of account showing all receipts and disbursements; (3) prepares all required financial data and tax returns; (4) deposits all monies or other valuable effects in the name of the Association in depositories as may from time to time be designated by the Board; (5) prepares the annual and supplemental budgets of the Association; (6) reviews the accounts of the managing agent on a monthly basis in the event a managing agent is responsible for collecting and disbursing Association funds; and (7) performs all the duties incident to the office of treasurer.

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

ARTICLE 4 STANDARDS

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

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

- a. A director will discharge the director's duties in good faith, with ordinary care, and in a manner the director reasonably believes to be in the best interest of the Association.
- b. An officer or director is not liable to the Association, its members or another person for an action taken or not taken as a director if the director acted in compliance with the above-stated standard for discharging duties. A person seeking to establish liability of an officer or director must prove that the officer or director did not act (1) in good faith, (2) with ordinary care, and (3) in a manner the officer or director reasonably believed to be in the best interests of the Association.

4.3. Reliance. An officer or director may rely on information prepared or presented by (1) an officer or employee of the Association, (2) an attorney licensed by the State of Texas, (3) a certified public accountant, (4) an investment banker, (5) a person whom the officer or director reasonably believes to possess professional expertise in the matter, and (6) in the case of a director, a committee of the Association of which the director is not a member. Such reliance must be exercised in good faith and with ordinary care. An officer or director may not rely on such information if he has actual knowledge that makes the reliance unwarranted.

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

- a. Reasonable compensation may be paid to a director, officer, Member or Resident for services rendered to the Association in other capacities.
- b. A director, officer, Member or Resident may, from time to time, be reimbursed for his actual and reasonable expenses incurred on behalf of the Association in connection with the administration of the affairs of the Association, provided the expense has been approved by the Board.
- c. The Board may budget and use Association funds to purchase awards, certificates, a celebratory meal, or other customary tokens or demonstrations of appreciation for volunteer activities.
- d. This Section does not apply to distributions to Tract Owners permitted or required by the Declaration, applicable law, or a court order.

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

4.6. Conflict of Interests. If a contract or transaction is fair to the Association, it is not disallowed merely because an officer, director or Member of the Association has a financial interest in the transaction, provided (1) the "interested" officer, director or Member fully and accurately discloses the nature of his interest to the Board in a manner that is timely for the Board's consideration of the contract or transaction, and (2) the "interested" officer or director does not participate in the vote to approve the contract or transaction, although the "interested" director may be counted toward a quorum at the meeting. Nothing in this Section may be construed to prevent the Board from adopting policies and procedures that are more stringent than the requirements of this Section, or of applicable law, such as Sections 1.003, 1.004, and 22.230 of the Code.

ARTICLE 5

Meetings of the Association

5.1 Annual Meeting. Annual meetings of the Association will be held during the first calendar quarter of each year. At the annual meeting, the Members must elect directors in accordance with these Bylaws. The Members may also transact such other business of the Association as may properly come before them. Notwithstanding any other provision in these Bylaws, the Board must call an annual meeting of the Members of the Association.

5.2 Mandatory Election Required After Failure to Call Annual Meeting. If the Board does not call an annual meeting of the Association Members, an Owner may demand that a meeting of the Members be called not later than the 30th after the date of the Owner's demand. The Owner's demand must be made in writing and sent by certified mail, return receipt requested, to the registered agent of the Association and to the Association at the address for the Association according to the most recently filed Management Certificate. A copy of the notice must be sent to each Owner who is a Member of the Association. If the Board does not call a meeting of the Members of the Association on or before the 30th day after the date of a demand, three or more Owners may form an election committee. The election committee must file written notice of the committee's formation with the county clerk of each county in which the Community is located. A notice filed by an election committee must contain: (1) a statement that an election committee has been formed to call a meeting of Owners who are Members of the Association for the sole purpose of electing Board members; (2) the name and residential address of each committee members; and (3) the name of the Community over which the Association has jurisdiction under the Governing Documents. Each committee member must sign and acknowledge the notice before a notary or other official authorized to take acknowledgments. The county clerk must enter on the notice the date the notice is filed and record the notice in the county's real property records. Only one committee in the Community may operate under this section at one time. If more than one committee in the Community files a notice, the first committee that files a notice, after having complied with all other requirements of this section, is the committee with the power to act under this section. A committee that does not hold or conduct a successful election within four months after the date the notice is filed with the county clerk is dissolved by operation of law. An election held or conducted by a dissolved committee is ineffective for any purpose under this section. The election committee may call meetings of the Owners who are Members of the Association for the sole purpose of electing Board members. Notice, quorum and voting provisions contained in these Bylaws apply to any meeting called by the election committee.

5.3 Special Meetings. It is the duty of the president to call a special meeting of the Association if directed to do so by a majority of the Board or by a petition signed by Members representing at least 10% of the eligible votes in the Association. Such meeting must be held within 30 days after the Board resolution or receipt of the petition. The notice of any special meeting must state the time, place and purpose of such meeting. No business, except the purpose stated in the notice of the meeting, may be transacted at a special meeting.

5.4 Place of Meetings. Meetings of the Association must be held at the place designated by the Board in the notice of the meeting.

5.5 Notice of Meetings. Not later than the 10th day or earlier than the 60th day before the date of an election or vote, the Association must give written notice of the election or vote to each Owner in the Association, for purposes of an Association-wide election or vote or to vote for the election of Members of the Board.

5.6 Eligibility. All Members of the Association may receive notice of meetings of the Association, vote at meetings of the Association, or be elected to serve as a Director.

5.7 Record Dates.

5.7.1 Determining Notice Eligibility. Before each meeting of the Association, the Board will fix a date as the record date for determining the Members entitled to notice of a meeting of the Association. The record date must not be less than 14 days nor may it be more than 60 days before the date of a meeting of the Association at which Members will vote.

5.7.2 Determining Voting Eligibility. Before each meeting of the Association, the Board will fix a date as the record date for determining the Members entitled to vote at a meeting of the Association. The record date may not be more than 60 days before the date of a meeting of the Association at which Members will vote.

5.7.3 Determining Rights Eligibility. Before each meeting of the Association, the Board will fix a date as the record date for determining the Members entitled to exercise any rights other than those described in

the preceding two paragraphs. The record date may not be more than 60 days before the date of the action for which eligibility is required, such as a nomination to the Board.

5.7.4 Adjournments. A determination of Members entitled to notice of or to vote at a meeting of the Association is effective for any adjournment of the meeting unless the Board fixes a new date for determining the right to notice or the right to vote. The Board must fix a new date for determining the right to notice or the right to vote if the meeting is adjourned to a date more than 90 days after the record date for determining Members entitled to notice of the original meeting.

5.8 Voting Members List. The Board must prepare and make available a list of the Association's voting Members in accordance with Section 22.158 of the Code. After setting a record date for the notice of a meeting, the Association must prepare an alphabetical list of the names of all its voting Members. The list must identify the Members who are entitled to notice, the address of each voting Member, and the number of votes each voting Member is entitled to cast at the meeting. Not later than the second business day after the date notice is given of a meeting for which a list was prepared in accordance with this section, and continuing through the meeting, the list of voting Members must be available at the office of the Association's Managing Agent, according to the most recent Management Certificate recorded, as identified in the notice of the meeting, for inspection by Members entitled to vote at the meeting for the purpose of communication with other Members concerning the meeting. A voting Member or voting Member's agent or attorney is entitled on written demand to inspect and, at the Member's expense and subject to Section 209.005 of the Act, copy the list at a reasonable time during the period the list is available for inspection. The Association must make the list of voting Members available at the meeting. A voting Member or voting Member's agent or attorney is entitled to inspect the list at any time during the meeting or an adjournment of the meeting.

5.9 Quorum. At any meeting of the Association, the presence in person or by proxy of Members entitled to cast at least 10% of the votes that may be cast for election of the Board constitutes a quorum. Members present at a meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal, during the course of the meeting, of Members constituting a quorum.

5.10 Lack of Quorum. If a quorum is not present or represented at any meeting, the Members entitled to vote have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present and represented.

5.11 Votes. Members of the Association have one vote for each Tract owned in the Community. The vote of Members representing at least a majority of the votes cast at any meeting at which a quorum is present is binding upon all Members for all purposes, except when a higher percentage is required by the Declaration or these Bylaws. There may be no cumulative voting. The voting rights of an Owner may be cast or given in person or by proxy at a meeting of the Association, by absentee ballot in accordance with this section, or by electronic ballot in accordance with these Bylaws.

5.12 Proxies. Unless otherwise provided by the proxy, a proxy is revocable and expires 11 months after the date of its execution. A proxy may not be irrevocable for longer than 11 months.

5.13 Ballots. Any vote cast in an election or vote by a Member of the Association must be in writing and signed by the Member. In an Association-wide election, written and signed ballots are not required for uncontested races. Electronic votes cast as provided below constitute written and signed ballots. An absentee or electronic ballot may be counted as an Owner present and voting for the purpose of establishing a quorum only for items appearing on the ballot; and may not be counted, even if properly delivered, if the Owner attends any meeting to vote in person. Any vote cast at a meeting by an Owner supersedes any vote submitted by absentee or electronic ballot previously submitted for that proposal, and may not be counted on the final vote of a proposal if the motion was amended at the meeting to be different from the exact language on the absentee or electronic ballot. A solicitation for votes by absentee ballot must include: an absentee ballot that contains each proposed action and provides an opportunity to vote for or against each proposed action; instructions for delivery of the completed absentee ballot, including the delivery location; and the following language: "By casting your vote via absentee ballot you will forego the opportunity to consider and vote on any action from the floor on these proposals, if a meeting is held. This means that if there are amendments to these proposals your votes will not be counted on the final vote on these measures. If you

desire to retain this ability, please attend any meeting in person. You may submit an absentee ballot and later choose to attend any meeting in person, in which case any in-person vote will prevail.” For the purposes of this section, “electronic ballot” means a ballot given by e-mail, facsimile or posting on an Internet website for which the identity of the Owner submitting the ballot can be confirmed and for which the Owner may receive a receipt of the electronic transmission and receipt of the Owner’s ballot. If an electronic ballot is posted on the Association’s Internet website, a notice of the posting must be sent to each Owner that contains instructions on obtaining access to the posting on the website.

5.13.1 *Co-Owned Tracts.* If a Tract is owned by more than one Member and only one Member is present at a meeting of the Association, that person may cast the vote allocated to that Tract. If more than one of the multiple Owners is present, the vote allocated to that Tract may be cast only in accordance with the Owners’ unanimous agreement. Multiple Owners are in unanimous agreement if one of the multiple Owners casts the vote allocated to the Tract and none of the other Owners makes prompt protest to the person presiding over the meeting.

5.13.2 *Entity-Owner Tracts.* If a Tract is owned by a corporation, the vote appurtenant to that Tract may be cast by an officer of the corporation in the absence of express notice of the designation of a specific person by the Board of Directors or bylaws of the owning corporation. The vote of a partnership may be cast by any general partner of the owning partnership in the absence of express notice of the designation of a specific person by the owning partnership. The vote of a limited liability company (LLC) may be cast by any manager or member in the absence of the express of the designation of a specific person by the owning LLC. The person presiding over a meeting or vote may require reasonable evidence that a person voting on behalf of a corporation, partnership or limited liability company is qualified to vote.

5.14 Tabulation and Access to Ballots. A person who is a candidate in the Association’s board election or who is otherwise the subject of an Association vote, or a person related to that person within the third degree by consanguinity or affinity, as determined under Chapter 573 of the Texas Government Code, may not tabulate or otherwise be given access to the ballots cast in that election or vote except as provided by this section. A person other than a person described above may tabulate votes in an Association election or vote, but may not disclose to any other person how an individual voted. Notwithstanding any other provision of this chapter or any other law, a person other than a person who tabulates votes may be given access to the ballots cast in the election or vote only as part of a recount process authorized by law.

5.15 Recount of Votes. Any Owner may, not later than the 15th day after the date of the meeting at which the election was held, require a recount of the votes. A demand for a recount must be submitted in writing by certified mail, return receipt requested, or by delivery by the United States Postal Service with signature confirmation service to the Association’s mailing address or in person as reflected on the latest Management Certificate, or to the address to which absentee and proxy ballots are mailed. The Association must, at the expense of the Owner requesting the recount, retain for the purpose of performing the recount, the services of a person qualified to tabulate votes under this section. The Association must enter into a contract for the services of a person who is not a Member of the Association or related to a Member of the Association Board within the third degree by consanguinity or affinity, as determined under Chapter 573 of the Texas Government Code, who is a current or former county judge, county elections administrator, justice of the peace, county voter registrar, or a person agreed on by the Association and the persons requesting the recount. Any recount under this section must be performed on or before the 30th day after the date of receipt of a request. If the recount changes the results of the election, the Association must reimburse the requesting Owner for the cost of the recount. The Association must provide the results of the recount to each Owner who requested the recount. Any action taken by the Board in the period between the initial election vote tally and the completion of the recount is not affected by any recount.

5.16 Conduct of Meetings. The President, or any person designated by the Board will preside over meetings of the Association. The Secretary will keep, or cause to be kept, the minutes which will record all resolutions adopted and all transactions occurring at the meeting, as well as a record of any votes taken at the meeting. The person presiding over the meeting may appoint a parliamentarian. The then current edition of Robert’s Rules of Order govern the conduct of all meetings of the Association when not in conflict with the Governing Documents. Votes will be tallied by tellers appointed by the person presiding over the meeting.

5.17 Order of Business. Unless the notice of meeting states otherwise, the order of business at annual meetings of the Association will be as follows:

- Determine votes present by roll call or check-in procedure
- Announcement of quorum
- Proof of notice of meeting
- Reading and approval of minutes of preceding meeting
- Reports
- Election of Directors
- Unfinished or old business
- New business
- Adjournment

5.18 Adjournment of Meeting. At any meeting of the Association, a majority of the Members present at that meeting, either in person or by proxy, may adjourn the meeting to another time.

5.19. Action Without Meeting. Subject to Board approval, any action which may be taken by a vote of the Members at a meeting of the Association may also be taken without a meeting by written consents. The Board may permit Members to vote by ballots delivered by any method allowed by applicable law, which may include hand delivery, mail, fax, email, electronic balloting or any combination of these. Written consents by Members representing at least a majority of votes in the Association, or such higher percentage as may be required by the Governing Documents, constitutes approval by written consent.

5.20. Meetings by Remote Communications. Members of the Association may participate in and hold meetings of the Association by means of electronic town halls, conference telephone or similar communications equipment by means of which all persons participating in the meeting can communicate concurrently. Participation in the meeting constitutes presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. By acquiring an interest in a Tract, each Owner automatically consents to the use of communication technology to effect meetings of the Association, provided the Owners of at least 85 percent of the Tracts in the Community have access to the form of technology chosen by the Board, and further provided that the Association arranges a place or method of participation for those who do not have the technology.

ARTICLE 6 RULES AND GUIDELINES

6.1. Rules and Guidelines. The Board has the right to establish and amend, from time to time, builder and design guidelines and reasonable rules and regulations for: (1) policies, procedures, building requirements and design standards regarding construction of improvements in the Community; (2) the administration of the Association and the Governing Documents; (3) the maintenance, management, operation, use, conservation and beautification of the Community; and (4) the health, comfort, and general welfare of the Residents; provided, however, that such rules and guidelines may not be in conflict with applicable law or the Governing Documents. The Board will, at all times, maintain the then current and complete rules and guidelines in a written form which can be copied and distributed to the Members, and must be recorded in the Real Property Records of Guadalupe County, Texas.

6.2. Adoption and Amendment. Any rule or guideline may be adopted, amended, or terminated by the Board, provided that the rule and the requisite Board approval are properly recorded as a resolution in the minutes of the meeting of the Board.

6.3. Notice and Comment. At least 10 days before the effective date, the Board must give written notice to an Owner of each Tract of any amendment, termination, or adoption of a rule or guideline, or will publish same in a newsletter, on the Association's website, or in any form or medium that is circulated or available to the Members. The Board may, but is not be required, to give similar notice to Residents who are not Members. Any Member or Resident so notified has the right to comment orally or in writing to the Board on the proposed action.

6.4. Distribution. On request from any Member or Resident, the Board will provide a current and complete copy of rules and guidelines.

ARTICLE 7 ENFORCEMENT

7.1. Actions Requiring Notice and Hearing. Before taking any of the below-described actions, the Association must give written notice and an opportunity for a hearing according to the requirements of this Article and the notice and hearing requirements of applicable law, such as Chapter 209 Texas Property Code. The following actions by or with the approval of the Board, the Association, or the Architectural Reviewer, require notice and hearing as provided by this Article:

- a. Suspension of use of a Common Area.
- b. Imposition of a fine for violation of any provision of the Governing Documents.
- c. Charging an Owner or a Tract for property damage.
- d. Filing suit against an Owner other than a suit related to the collection of Assessments or foreclosure of the Association's Assessment lien.

7.2. Notice. The required written notice must (1) be given to the Owner by certified mail, return receipt requested, (2) describe the violation or property damage that is the basis for the suspension action, charge or fine and state the amount due the Association from the Owner, and (3) inform the Owner that the Owner (a) is entitled to a reasonable period to cure the violation and avoid the fine or suspension, unless the Owner was given notice and a reasonable opportunity to cure a similar violation within the preceding six months, (b) may request a hearing under Section 209.007 of the Texas Property Code on or before the 30th day after the date the Owner receives the notice, and (c) may have special rights or relief related to the enforcement action under federal law, including the Service Members Civil Relief Act (50 U.S.C. app. Section 509 et. seq.), if the Owner is serving on active military duty. Unless applicable law provides otherwise, any notice given to an Owner pursuant to this Article will be deemed received by the Owner (1) on personal delivery to the Owner or to a person at the Owner's address; or (2) on the third business day after the notice is deposited with the U.S. Postal Service, addressed to the Owner at the most recent address shown on the Association's records, with postage prepaid, whether the Owner actually receives the notice.

7.3 Hearing.

7.3.1 *Request for Hearing.* If an Owner is entitled to an opportunity to cure the violation, the Owner has the right to submit a written request for a hearing to discuss and verify facts and resolve the matter in issue before a committee appointed by the Board or before the Board if the Board does not appoint a committee.

7.3.2 *Right of Appeal.* If a hearing is to be held before a committee, the notice prescribed by Section 209.006 of the Texas Property Code must state that the Owner has the right to appeal the committee's decision to the Board by written notice to the Board.

7.3.3 *Hearing Process.* The Association must hold a hearing under this section not later than the 30th day after the date the Board receives the Owner's request for a hearing and must notify the Owner of the date, time and place of the hearing not later than the 10th day before the date of the hearing. The Board or the Owner may request a postponement, and, if requested, a postponement must be granted for a period of not more than 10 days. Additional postponements may be granted by agreement of the parties. The Owner or the Association may make an audio recording of the meeting.

7.4. Actions Exempt From Notice and Hearing Requirements. As a general rule, every action other than the above-described actions requiring notice and hearing are impliedly exempt from the requirements of this Article,

including the collection of delinquent Assessments. As permitted by applicable law, such as Section 209.007 of Texas Property Code, the following actions are expressly exempt:

- a. A temporary suspension of a person's right to use Common Areas if the temporary suspension is the result of a violation that occurred in a Common Area and involved a significant and immediate risk of harm to others in the Community. The temporary suspension is effective until the Board makes a final determination on the suspension action after following the notice and hearing procedures prescribed by this Article.
- b. A lawsuit in which the Association seeks a temporary restraining order or temporary injunctive relief.
- c. A lawsuit filed by the Association that includes foreclosure as a cause of action.

7.5. Imposition of Fine. Within 30 days after levying the fine or authorizing the abatement, the Board must give the Owner notice of the levied fine or abatement action. If the fine or action is announced at the hearing at which the Owner is actually present, the notice requirement will be satisfied. Otherwise, the notice must be in writing.

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

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

7.5.3. *Other Fine-Related.* The Association is not entitled to collect a fine from an Owner to whom it has not given notice and an opportunity to be heard. The Association may not charge interest on unpaid fines. The Association may not foreclose its Assessment lien on a debt consisting solely of fines.

7.6. Reimbursement of Expenses and Legal Fees. In addition to any other rights set forth in the Governing Documents for violation of a provision of the Governing Documents, the Association may levy and collect reimbursement of reasonable attorneys' fees and other reasonable expenses incurred by the Association relating to amounts, including damages, due the Association for enforcing the Governing Documents, including the collection of delinquent Assessments, subject to the following conditions:

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

7.6.2. *Hearing.* If legal fees are incurred by the Association for an action requiring notice and hearing, the Owner is not liable for reimbursement of legal fees incurred (1) before the date by which the Owner must request a hearing, if the Owner does not request a hearing, or (2) before conclusion of the hearing, if the Owner does request a hearing. The Owner's presence is not required to hold a hearing under this Article.

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

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

7.7. Additional Enforcement Rights. Notwithstanding the notice and hearing requirement, the Board may take immediate and appropriate action, without giving the notices required in this Article, against violations of the Governing Documents which, in the Board's opinion, are (1) self-evident, such as vehicles parked illegally or in violation of posted signs; (2) threatening to life or property; or (3) repeat violations of the same provision by the same Owner to whom prior notices and demands have been given for the same violation. Further, the provisions of this Article do not apply to specific remedies provided in the Governing Documents for certain violations, such as nonpayment of Assessments.

ARTICLE 8 OBLIGATIONS OF THE OWNERS

8.1. Notice Of Sale. Any Owner intending to sell or convey his Tract or any interest therein must give written notice to the Board of his intention, together with (1) the address or legal description of the Tract being conveyed, (2) the name and address of the intended purchaser, (3) the name, address, and phone number of the title company or attorney designated to close the transaction, (4) names and phone numbers of real estate agents, if any, representing seller and purchaser, and (5) scheduled date of closing. An Owner will furnish this information to the Board at least 10 business days before the scheduled date of closing or conveyance. The requirements of this Section may be satisfied by giving the Association a copy of an accepted resale contract in connection with the Owner's request to the Association for a resale certificate. The Association may charge a reasonable fee in connection with documenting in the records of the Association a transfer or conveyance of title to a Tract. Any unpaid fee may be assessed against the Tract subject of the transfer or conveyance.

8.2. Proof Of Ownership. Except for those Owners who initially purchase a Tract from Declarant, any person, on becoming an owner of a Tract, must furnish to the Board evidence of ownership in the Tract. A copy of the recorded deed is the customary evidence. The Association may refuse to recognize a person as a Member unless this requirement is first met. This requirement may be satisfied by receipt of a Board-approved form that is completed and acknowledged by a title company or attorney at time of conveyance of the Tract or any interest therein.

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

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

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

8.6. Assessments. All Owners are obligated to pay Assessments imposed by the Association to meet the common expenses as defined in the Declaration.

8.7. Compliance with Documents. Each Owner must comply with the provisions and terms of the Governing Documents and any amendments thereto. Further, each Owner must always endeavor to observe and promote the cooperative purposes for which the Community was established.

ARTICLE 9 ASSOCIATION RECORDS

9.1 Availability. The Association must make the books and records of the Association, including financial records, open to and reasonably available for examination by an Owner, or a person designated in writing signed by the Owner as the Owner's agent, attorney or certified public accountant, in accordance with this section. An Owner is entitled to obtain from the Association copies of information contained in the books and records. Association attorney's files and records, excluding invoices requested by an Owner are not records of the Association and are not subject to inspection by the Owner or production in a legal proceeding. If a document in an attorney's files or records relating to the Association would be responsive to a legally authorized request to inspect or copy Association documents, the document must be produced by using the copy from the attorney's files and records if the Association has not maintained a separate copy of the document. This Article does not require production of a document that constitutes attorney work product or that is privileged as an attorney-client communication. An Owner or the Owner's authorized representative must submit a written request for access or information by certified mail, with sufficient detail describing the Association's books and records requested, to the mailing address of the Association or authorized representative as reflected on the most current Management Certificate. The request must contain an election either to inspect the books and records before obtaining copies or to have the Association forward copies of the requested books and records, and if an inspection is requested, the Association, on or before the 10th business day after the date the Association receives the request, must send written notice of dates during normal business hours that the Owner may inspect the requested books and records to the extent those books and records are in the possession, custody or control of the Association. If copies of identified books and records are requested, the Association must, to the extent those books and records are in the possession, custody or control of the Association, produce the requested books and records for the requesting party on or before the 10th business day after the date the Association receives the request. If the Association is unable to produce the books or records requested on or before the 10th business day after the date the Association receives the request, the Association must provide to the requestor written notice that informs the requestor that the Association is unable to produce the information on or before the 10th business day after the date the Association received the request, and states a date by which the information will be sent or made available for inspection to the requesting party that is not later than the 15th business day after the date notice under this Article is given. The Association may produce books and records requested under this section in hard copy, electronic, or other format reasonable available to the Association.

9.2 Open Records Policy. The Board has adopted a Records Production and Copying Policy that prescribes the costs the Association will charge for the compilation, production and reproduction of information requested under this section, and is recorded in the Official Public Records of Guadalupe County, Texas, pursuant to Section 209.005 of the Texas Property Code. The prescribed charges may include all reasonable costs of materials and labor. The Association may not charge an Owner for the compilation, production or reproduction of information requested under this section unless the policy prescribing those costs has been recorded as required by this subsection. An Owner is responsible for costs related to the compilation, production and reproduction of the requested information in the amounts prescribed by the policy adopted under this section. The Association may require advance payment of the estimated costs of compilation, production and reproduction of the requested information. If the estimated costs are lesser or greater than the actual costs, the Association must submit a final invoice to the Owner on or before the 30th business day after the date the information is delivered. If the final invoice includes additional amounts due from the Owner, the additional amounts, if not reimbursed to the Association before the 30th business day after the date the invoice is sent to the Owner, may be added to the Owner's account as an Assessment. If the estimated costs exceeded the final invoice amount, the Owner is entitled to a refund, and the refund will be issued to the Owner not later than the 30th business day after the date the invoice is sent to the Owner.

9.3 Records Retention. In accordance with Section 209.005(m) of the Texas Property Code, the Board has adopted, recorded and complied with a Document Retention Policy which will be recorded in the Official Public Records of Guadalupe County, Texas.

9.4 Resale Certificates. Any officer may prepare, or cause to be prepared, assessment estoppel certificates or resale certificates pursuant to applicable law, such as Chapter 207 of the Texas Property Code, titled Disclosure of

Information by Property Owners Association. The Association may charge a reasonable fee for preparing such certificates, and may refuse to furnish such certificates until the fee is paid. Any unpaid fees may be assessed against the Tract for which the certificate is furnished. The Association may delegate the responsibility for a resale certificate to its Managing Agent, if any.

9.5 Management Certificate. As required by applicable law, such as Section 209.004 of the Texas Property Code, the Association will maintain a current management certificate in the county's public records. When the Association has notice of a change in any information in the recorded certificate, the Association will prepare a restated or amended certificate and deliver it to the county clerk for filing. Absent gross negligence, the Association is not liable for a delay or failure to record a certificate. The Association may delegate the responsibility for a management certificate to its Managing Agent, if any.

9.6 Membership List. As provided in Section 5.8 of these Bylaws, the Board will maintain a comprehensive list of Association Members for compliance with the Code as well as the Governing Documents. The Association must make the membership list available to any Owner on written request, and may charge a reasonable fee for cost of copying and delivering the list.

ARTICLE 10 NOTICES

10.1. Co-Owners. If a Tract is owned by more than one person, notice to one Co-Owner is deemed notice to all Co-Owners.

10.2. Delivery Of Notices. Any written notice required or permitted by these Bylaws may be given personally, by mail, by fax, by email, or by any other method permitted by the Code and other applicable law. If mailed, the notice is deemed delivered when deposited in the U.S. mail addressed to the member at the address shown on the Association's records. If transmitted by fax or email, the notice is deemed delivered on successful transmission of the facsimile or electronic correspondence. The notice must be sent to the party's last known address as it appears on the records of the Association at the time of transmission. If an Owner fails to give the Association an effective address, the notice may be sent (1) to the address of the Owner's Tract and/or (2) to the Owner's address shown on the then-current property tax rolls for the Tract. If the Association properly transmits the notice, the Owner is deemed to have been given notice whether he actually receives it.

10.3. Waiver Of Notice. Whenever a notice is required to be given to an Owner, Member or director, a written waiver of the notice, signed by the person entitled to the notice, whether before or after the time stated in the notice, is equivalent to giving the notice. Attendance by a Member or director at any meeting of the Association or Board, respectively, constitutes a waiver of notice by the Member or director of the time, place, and purpose of the meeting. If all Members or directors are present at any meeting of the Association or Board, respectively, no notice is required and any business may be transacted at the meeting.

ARTICLE 11 INDEMNIFICATION

11.1. General. The purpose of this Article is to mandate some of the permissive provisions of Chapter 8 of the Code, and to indemnify Association Leaders. The definition in Chapter 8 of the Code are hereby incorporated by reference. As used in this Article, "Association Leader" means a person who is a current or former officer or director of the Association, or a current or former committee chair or committee member of the Association.

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

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

- a. the person reasonably believed (1) in the case of conduct in the person's official capacity, that the person's conduct was in the Association's best interest, or (2) in any other case, that the person's conduct was not opposed to the Association's best interests;
- b. in the case of a criminal proceeding, the person did not have a reasonable cause to believe the person's conduct was unlawful;
- c. with respect to expenses, the amount of expenses other than a judgment is reasonable; and
- d. indemnification should be paid.

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

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

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

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

11.4.1. *Advancement of Expenses.* The Association may pay or reimburse reasonable expenses incurred by an indemnified person who was, is, or is threatened to be made a respondent in a proceeding in advance of the final disposition of the proceeding without making the determinations required under the Section above titled "Mandatory Indemnification," after the Association receives a written affirmation by the person of the person's good faith belief that the person has met the standard of conduct necessary for indemnification under this Article, and a written undertaking by or on behalf of the person to repay the amount paid or reimbursed if the final determination is that the person has not met that standard or that indemnification is prohibited by this Article. The required written undertaking must be an unlimited general obligation of the person but need not be secured and may be accepted by the Association without regard to the person's ability to make repayment.

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

11.5. Indemnification of Other Persons. Subject to the same limitations, determinations, and exceptions for Association Leaders, the Association may indemnify and advance expenses to a person who is not otherwise covered by this Article's indemnification as provided by (1) a provision in a Governing Document of the Association, (2) a

contract to which the Association is a party, (3) common law, (4) a Board resolution, or (5) a resolution approved by the Association's Members. A person indemnified under this Section may seek indemnification or advancement of expenses from the Association to the same extent that an Association Leader may seek indemnification or advancement of expenses under this Article.

ARTICLE 12 DECLARANT PROVISIONS

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

12.2. Board of Directors. During the Declarant Control Period, Article 14 of the Declaration governs the number, qualification, and appointment of directors. The initial directors will be appointed by Declarant and need not be Owners or Residents. Directors appointed by Declarant may not be removed by the Owners and may be removed by Declarant only. Declarant has the right to fill vacancies in any directorship vacated by a Declarant appointee.

12.3. Transition Meeting. As provided by Article 14 of the Declaration, within 60 days after the end of the Declarant Control Period, or sooner at Declarant's option, Declarant will call a meeting of the members of the Association for the purpose of electing directors, by ballot of Members. Notice of the transition meeting will be given as if it were notice of an annual meeting.

ARTICLE 13 AMENDMENTS TO BYLAWS

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

13.1.1. *Amendments by Board*. For the following limited purposes, the Board may amend these Bylaws with or without approval by the members, provided the proposed amendment has the prior unanimous approval of the directors: (1) to correct mistakes in the Bylaws, (2) to conform the Bylaws to changes in controlling law applicable to any topic addressed in these Bylaws, (3) to change the name of the Association, and (4) to restate previously amended Bylaws for the sole purpose of incorporating the amendments into the body of the Bylaws.

13.1.2. *Amendments by Declarant*. As provided by Article 14 of the Declaration, during the Development Period, Declarant may amend these Bylaws with or without approval by the Board or the Members, for any purpose.

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

13.2. Amendments by Members.

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

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

13.3. Effective. To be effective, an amendment must be in the form of a written instrument (1) referencing the name of the Community, the name of the Association, and the recording data of these Bylaws and any amendments hereto; (2) signed and acknowledged by at least one officer of the Association, certifying the requisite authority and/or approvals; and (3) recorded in the Real Property Records of Guadalupe County, Texas. An amendment may be effective immediately if adopted at an Association meeting at which Owners of two-thirds of the Tracts are represented. Otherwise, an amendment is not effective until 10 days after an Owner of each Tract is notified of the amendment and provided with a copy of the amendment or instructions for obtaining a copy.

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

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

ARTICLE 14 GENERAL PROVISIONS

14.1. Drafter's Intent. Because Declarant intends these Bylaws to serve the Association for many years beyond the initial development, construction, and marketing of the Community, Declarant purposefully did not draft these Bylaws from its own perspective. Instead, as a courtesy to future users of these Bylaws, Declarant compiled most of the Declarant-related provisions in Article 14 of the Declaration. Although Declarant is initially an Owner and a Member of the Association, Declarant is intentionally exempt from a number of obligations that apply to other Owners, and has a number of rights that other Owners do not have. These Bylaws are to be construed liberally to give effect to the drafter's intent of favorable and preferential treatment of Declarant.

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

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

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

14.5. Fiscal Year. The fiscal year of the Association will be set by resolution of the Board, and is subject to change from time to time as the Board determines. In the absence of a resolution by the Board, the calendar year is the fiscal year.

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

14.7. Preparer. These Bylaws were prepared in the law offices of Reagan Burrus PLLC, New Braunfels, Texas 78130.

CERTIFICATION & ACKNOWLEDGMENT

As the Declarant of BLUESTEM RESERVE and the initial and sole member of Bluestem Reserve Owners Association, Inc., I certify that the foregoing Bylaws of Bluestem Reserve Owners Association, Inc. were adopted for the benefit of the Association by the initial Board of Directors by unanimous written consent without a meeting.

SIGNED this 29th day of March, 2019.

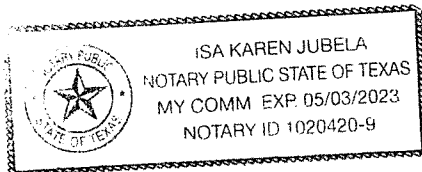
GASKIN RANCH NO. 5 LLC

By: Larry E and Sue C. Gaskin
Name: Larry E. Gaskin, Sue C. Gaskin
Title: Managers

THE STATE OF TEXAS §

COUNTY OF Guadalupe §

This instrument was acknowledged before me on March 29, 2019, by Lisa Jubela, Larry E. & Sue C. Gaskin of GASKIN RANCH NO. 5 LLC, a Texas limited liability company, on behalf of same and in the capacity herein stated.



Lisa K Jubela
Notary Public, State of Texas