

**BYLAWS OF HOME OWNERS
ASSOCIATION FOR CLOUD COUNTRY SUBDIVISION UNIT-1, INC.,
A TEXAS NON-PROFIT CORPORATION**

ARTICLE I

NAME, OFFICES AND DEFINITIONS

1.1. **Name.** The name of the Association shall be Home Owners Association for Cloud Country Subdivision Unit-1, Inc. (hereinafter referred to as the "Association").

1.2. **Principal Office.** The principal office of the Association shall initially be located at 10497 Town & County Way, Suite 820, Houston, Harris County, Texas.

1.3. **Other Offices.** The Association may have such other offices, either within or without the County of Comal, State of Texas, as the Board of Directors may determine or as the affairs of the Association may require from time to time.

1.4 **Definitions.** The words used in these Bylaws shall have the meanings as set forth in the Declaration of Covenants, Conditions and Restrictions and any amendments thereof (the "Declaration"), the Declaration having been filed for record in the Real Property Records of Comal County, Texas and reference is hereby made to the Declaration for all purposes, unless the context shall prohibit or such term shall be otherwise defined in these Bylaws.

ARTICLE II

MEMBERS

2.1. **Members.** Membership in the Association shall be premised upon the following:

(a) Every Owner shall be a Member of the Association. For all purposes hereof, the term "Owner" shall refer to an owner of a residential lot located within the Cloud Country Subdivision Unit-1 (the "Subdivision"), a residential development described in the Declaration.

(b) No Member of the Association shall have any right or interest in the assets of the Association, including, without limitation, any right to distribution of assets in the event of the liquidation, dissolution or winding up of the Association, whether voluntary or involuntary.

(c) The Members of the Association shall be divided into two (2) groups, Class A and Class B, with each group having Members as follows:

(i) Class A Members: All the Members of the Association, with the exception of Milestone Cloud Country Development, Ltd., a Texas limited liability partnership (hereinafter referred to as "Milestone"); and

- (ii) Class B Member: Milestone, or any entity to which it specifically assigns this right, shall be the sole Class B Member.

2.2. Election of Members. Members shall be elected pursuant to action by the Board of Directors; provided, however, that such action shall be administrative, not discretionary, and that upon verification of the qualifications established herein, membership shall be automatic.

2.3. Voting Rights. Members of the Association shall be accorded the following voting rights:

- (a) Class A Members shall be entitled to one vote for each Lot owned by the Member within the Subdivision. When more than one individual or entity holds such interest or interests in an individual Lot, all such persons shall be Members, and the vote for such Lot shall be exercised as they among themselves determine, but, in no event, shall more than one vote be cast with respect to each Lot owned by Class A Members in the Subdivision.

- (b) The Class B Member shall be Milestone or any entity to which it specifically assigns this right. The Class B Member shall be entitled to three (3) votes for each Lot it owns within the Subdivision; provided that the Class B membership shall cease and become converted to Class A membership on the happening of either of the following events, which occurs earlier: (i) when 100% of the Lots have been conveyed by Milestone (or its designated assign) to unaffiliated third parties, (ii) the fiftieth (50th) anniversary of the date of the Declaration, or (iii) when the Class B Member, in its sole discretion, so determines and records an instrument stating such in the Real Property Records of Comal County, Texas. Thereafter, the Class B Member shall be deemed to be a Class A Member, entitled to one (1) vote for each Lot it owns within the Subdivision.

- (c) Fractional votes and split votes will not be permitted.

- (d) The decision of a majority of the Board of Directors as to the number of votes, which any Member is entitled to cast, based upon the provisions of the Articles of Incorporation and the provisions hereof, shall be final.

- (e) The membership rights of a Lot owned by a corporation, partnership or someone other than a natural person shall be exercised by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

ARTICLE III

MEETINGS OF MEMBERS

3.1. Annual Meeting. An annual meeting of the Members shall be held at the principal office of the Association during the month of January in each year, beginning with the year 2014, at 7:30 P.M., for the purpose of electing directors to fill vacancies on the Board and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be Saturday, Sunday or legal holiday in the State of Texas, such meeting shall be held on the next

succeeding business day. If the election of directors shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the Members to be convened within fifteen (15) days after the date of the annual meeting.

3.2. Special Meetings. Special meetings of the Members may be called by the President, the Board of Directors, or by Members of the Association having not less than one-fourth (1/4) of the Class A membership votes entitled to be cast at such meeting.

3.3. Place of Meeting. The Board of Directors may designate any place, either within or without the State of Texas, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If no designation is made or if a special meeting be otherwise called, the place of meeting shall be the principal office of the Association in the State of Texas; but if all of the Members shall meet at any time and place, either within or without the State of Texas, and consent to the holding of a meeting, such meeting shall be valid without call or notice, and at such meeting any corporate action may be taken.

3.4. Notice of Meetings. No notice of annual meetings shall be required. Written or printed notice stating the place, day, and hour of any special meeting may be delivered either personally or by mail, to each Member entitled to vote at such meeting not less than fifteen (15) nor more than fifty (50) days before the date of such meeting, by or at the direction of the President, or the Secretary, or the officers or persons calling the meeting. The purpose or purposes for which the special meeting is called shall be stated in the notice. If mailed, the notice of a special meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his address as it appears on the records of the Association, with postage prepaid.

3.5. Waiver of Notice. Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member or alternate shall be deemed waiver by such Member of notice of the time, date and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted thereat unless objection to the calling or convening of the meeting, of which proper notice was not given, is raised before the business is put to a vote.

3.6. Informal Action by Members. Any action required by law to be taken at a meeting of the Members, or any action that may be taken at a meeting of Members, may be taken without a meeting if a consent in writing, setting forth the action to be taken, shall be signed by the Members having a majority of the votes entitled to be cast with respect to the subject matter thereof.

3.7. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership shall constitute a quorum at such meeting for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. If a quorum is not present at any meeting of Members, the Members entitled to vote who are present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present or represented.

3.8. **Proxies.** At any meeting of Members, a Member entitled to vote may vote by proxy executed in writing by the Member or by his duly authorized attorney-in-fact and filed with the Secretary of the Association. No proxy shall be valid after eleven (11) months from the date of its execution or upon conveyance by the Member of his Lot.

3.9. **Cumulative Voting.** At any election for directors of the Association, cumulative voting shall be prohibited.

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

ARTICLE IV

BOARD OF DIRECTORS

4.1. **General Powers.** The Board of Directors shall manage the affairs of the Association.

4.2. **Number, Tenure and Qualifications.** The number of initial directors shall be three (3). Each director shall hold office for one (1) year, or until his successor shall have been duly elected and qualified. The number of directors in the Association shall not be less three (3) or more than five (5). Each director shall be Members. In the case of a Member, which is a corporation, partnership or someone other than a natural person, the person designated in writing to the Secretary of the Association as the representative of such Member shall be eligible to serve as a director.

4.3. **Removal.** Any director may be removed from the Board of Directors, with or without cause, by a majority vote of the Members of the Association.

4.4. **Regular Meetings.** A regular annual meeting of the Board of Directors shall be held without other notice than this By-Law, immediately after, and at the same place as, the annual meeting of Members. The Board of Directors shall hold monthly meetings at such place and hour as may be fixed from time to time by resolution of the Board.

4.5. **Special Meetings.** Special meetings of the Board of Directors may be called by or at the request of the President or any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State, as the place for holding any special meeting of the Board of Directors called by them.

4.6. **Notice.** Notice of any special meeting of the Board of Directors shall be given at least three (3) days previously thereto by written notice delivered personally or sent by mail or telegram to each director at his address as shown by the records of the Association. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the

transaction of any business because the meeting is not lawfully called or convened. The business to be transacted at the meeting need not be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these Bylaws.

4.7. **Informal Action by Directors.** Any action required by law to be taken at a meeting of the Board of Directors, or any action that may be taken at a meeting of the Board of Directors, may be taken without a meeting if consent in writing, setting forth the action to be taken, shall be signed by all of the directors. Such consent shall have the same force and effect as a unanimous vote at a meeting and may be stated as such in any articles or document filed with the Secretary of State.

4.8. **Quorum.** A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors; but if less than a majority of the directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

4.9. **Manner of Acting.** The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law or by these Bylaws.

4.10. **Vacancies.** Any vacancy occurring in the Board of Directors shall be filled by the affirmative vote of the majority of the remaining directors who are present at any meeting called or held for the purpose of appointing a successor director or directors, no less than a quorum of the Board of Directors shall be present. A director elected to fill the vacancy shall be elected for the unexpired term of his predecessor in office.

4.11. **Compensation.** The directors shall not receive any stated salaries for their services, but by resolution of the Board of Directors any director may be reimbursed by the Association for expenses incurred by him in connection with the business of the Association.

4.12. **Nomination.** A Nominating Committee shall select individuals for election to the Board of Directors. Nominations may also be made from the floor at the annual meeting of the Members. The Nominating Committee, appointed by the Board of Directors prior to each annual meeting of the Members, shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more Members of the Association who may also be current members of the Board of Directors. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

4.13. **Election.** Election to the Board of Directors shall be by secret written ballot. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of these Bylaws. Cumulative voting is not permitted.

ARTICLE V

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

5.1. **Powers.** The Board of Directors shall have the power to:

- (a) adopt and publish rules and regulations governing the use of any properties and facilities owned by the Association, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;
- (b) suspend the voting rights and right to use of the properties and facilities owned by the Association of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association;
- (c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration;
- (d) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and
- (e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

5.2. Duties. It shall be the duty of the Board of Directors to:

- (a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;
- (b) supervise all officers, agents and employees of the Association, and to see that their duties are properly performed;
- (c) as more fully provided in the Declaration, to:
 - (1) fix the amount of the annual maintenance assessment against each Lot at least thirty (30) days in advance of each annual assessment period;
 - (2) send written notice of the maintenance assessment to every Owner subject thereto on or before January 15 of the calendar year affected;
 - (3) to determine the need for special and capital assessments (as described in the Declaration) for the benefit of the health safety and welfare of Members of the Association; and
 - (4) foreclose the lien against any Lot for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the owner personally obligated to pay the same.
- (d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge

may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain adequate liability and hazard insurance on any properties owned by the Association;

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) cause any properties and other structures owned by the Association to be maintained.

ARTICLE VI

OFFICERS AND THEIR DUTIES

6.1. **Officers.** The officers of the Association shall be a President, one Vice-President (both of whom shall at all times be members of the Board of Directors), a Secretary, a Treasurer, and such other officers as the Board from time to time may create by resolution. The Board of Directors may elect or appoint such other officers, including one or more Assistant Secretaries, and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed, from time to time by the Board of Directors. The offices of Secretary and Treasurer may be held by the same person. No other person shall simultaneously hold more than one of any of the other offices except in the case of special positions created pursuant to this Article.

6.2. **Election and Term of Office.** The officers of the Association shall be elected at the organizational meeting of the Association and annually by the Board of Directors at the first meeting of the Board of Directors following each annual meeting of the Members of the Association. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold the office for the earlier of one year or until his successor shall have been duly elected and have been qualified.

6.3. **Removal.** Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors with or without cause or whenever in the judgment of the Board the best interests of the Association would be served thereby.

6.4. **Resignation.** Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect upon the date of receipt of such notice or at such later time specified in the notice. Acceptance of such resignation shall not be necessary to make it effective.

6.5. **Vacancies.** A vacancy in any office, because of death, resignation, removal, disqualification, or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

6.6. **Duties.** The duties of the officers are as follows:

(a) **The President.** The President shall be the principal executive officer of the Association and shall, in general, supervise and control all of the business and affairs of the

Association and ensure that orders and resolutions of the Board are implemented. He shall preside at all meetings of the Members. He may sign, with or without the Secretary or any other proper officer of the Association authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments that the Board of Directors have authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws or by statute to some other officer or agent of the Association, and co-sign all checks and promissory notes. In general, he shall perform all duties incident to the office of the President and such other duties as may be prescribed by the Board of Directors from time to time.

(b) **Vice President.** In the absence of the President or in the event of his inability or refusal to act, the Vice-President(s) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions of the President. The Vice-President shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

(c) **Treasurer.** If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine. He shall have charge and custody of and be responsible for all funds and securities of the Association. He shall receive and give receipts for monies due and payable to the Association from any source whatsoever; deposit all such monies in the same name of the Association in such banks, trust companies, or other depositories as shall be selected by the Board of Directors. He shall disburse such funds as directed by resolution of the Board of Directors and co-sign all checks and promissory notes of the Association. He shall also cause an annual audit of the Association's books to be made by a public accountant at the completion of each fiscal year; prepare or cause to be prepared an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting; and, in general, perform all other duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or the Board of Directors.

(d) **Secretary.** The Secretary shall keep a record of the votes and the minutes of the meetings of the Members and the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or records and of the seal of the Association and see that the seal of the Association is affixed to all documents executed on behalf of the Association if expressly required by the Board of Directors or these Bylaws; keep a register of the post office address of each Member which shall be furnished to the Secretary by such Member; and in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

(e) **Assistant Treasurers and Assistant Secretaries.** If required by the Board of Directors, the Assistant Treasurers shall give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Treasurers and Assistant Secretaries, in general, shall perform such duties as shall be assigned to them by the Treasurer or the Secretary or by the President or the Board of Directors.

ARTICLE VII

COMMITTEES

7.1. **Committee of Directors.** The Board of Directors, by resolution adopted by a majority of the Board of Directors, may designate one or more committees, each of which shall consist of three (3) or more directors, which committees, to the extent provided in said resolution, shall have and exercise the authority of the Board of Directors in the management of the Association; but the designation of such committees and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual director, of any responsibility imposed on it or him by law.

7.2. **Other Committees.** The Board shall appoint an Architectural Control Committee, as provided in the Declaration, and a Nominating Committee, as provided by these Bylaws. Other committees not having and exercising the authority of the Board of Directors in the management of the Association may be designated by a resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Except as otherwise provided in such resolution, members of each such committee shall be Members of the Association. Any member thereof may be removed with or without cause by the person or persons authorized to appoint such member whenever in their judgment the best interests of the Association shall be served by such removal.

7.3. **Term of Office.** Each member of a committee shall continue as such until the next annual meeting of the Members of the Association and until his successor is appointed, unless the committee shall be sooner terminated, or unless such member be removed from such committee, or unless such member shall cease to qualify as a member thereof.

7.4. **Chairman.** One member of each committee shall be appointed chairman by the person or persons authorized to appoint the member thereof.

7.5. **Vacancies.** Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of the original appointments.

7.6. **Quorum.** Unless otherwise provided in the resolution of the Board of Directors designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

7.7. **Rules.** Each committee may adopt rules for its own government not inconsistent with these Bylaws or with rules adopted by the Board of Directors.

ARTICLE VIII

CONTRACTS, CHECKS, DEPOSITS AND FUNDS

8.1. **Contracts.** The Board of Directors may authorize any officer or officers, agent or agents of the Association, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances.

8.2. **Checks, Drafts, or Orders for Payment.** All checks, drafts, or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Association shall be signed by the Treasurer and countersigned by the President.

8.3. **Deposits.** All funds of the Association shall be deposited from time to time to the credit of the Association in such banks, trust companies, or other depositories as the Board of Directors may elect.

8.4. **Gifts.** The Board of Directors may accept on behalf of the Association any contribution, gift, bequest, or devise for the general purpose, or for any special purpose, of the Association.

ARTICLE IX

CERTIFICATES OF MEMBERSHIP

9.1. **Certificate of Membership.** The Board of Directors may provide for the issuance of certificates evidencing membership in the Association, which shall be in such form as may be determined by the Board. Such certificates shall be signed by the President or a Vice-President and by the Secretary or an Assistant Secretary and shall be sealed with the seal of the Association. All certificates evidencing membership of any class shall be consecutively numbered. The name and address of each Member and the date of issuance of the certificate shall be entered on the records of the Association. If any certificate shall become lost, mutilated, or destroyed, a new certificate may be issued therefor on such terms and conditions as the Board of Directors may determine.

9.2. **Issuance of Certificates.** When a Member is eligible for membership and has paid any initiation fee and dues that may then be required, a certificate of membership shall be issued in his name and delivered to him by the Secretary, if the Board of Directors shall have provided for the issuance of certificates of membership under the provisions of Section 9.1.

ARTICLE X

CHARGES AND ASSESSMENTS

10.1. **Establishment.** As more fully provided in the Declaration, each Member is obligated to pay to the Association annual maintenance, special and capital assessments which are secured by a continuing lien upon the Lot against which the assessment is levied. The Board of Directors shall fix, levy, collect, enforce and receipt for all fees, charges, costs, expenses, and assessments authorized in the Declaration, including, without limitation, the annual maintenance assessment provided for in the Declaration. Subject to limitations prescribed in the Declaration, the annual

maintenance assessment may be adjusted from time to time by the Board of Directors as the needs of the Subdivision may require.

10.2. **Due Date.** All fees, charges, and assessments shall be due and payable as set forth in the Declaration. Any assessments, which are not paid when due shall be delinquent.

10.3. **Default and Termination of Membership.** When any Member of any class shall be in default in the payment of any fees, charges or assessments by reason of failure to pay same in full within the thirty (30) days after the due date, his membership may thereupon be terminated or suspended by the Board of Directors. Failure to pay the assessment within the above-specified period will result in the assessment bearing interest from the date of delinquency at the highest rate allowed by applicable law, and the Association may bring an action at law against the Owner personally obligated to pay the assessment or foreclose the lien against the Lot assessed. Reasonable attorneys' fees and costs shall be added to the assessment. No Owner may waive or otherwise avoid liability for the assessments by non-use of any community properties or by abandonment of his Lot.

ARTICLE XI

INDEMNIFICATION OF DIRECTORS AND OFFICERS

11.1. **Eligibility.** Any Director or Officer or former Director, or former Officer of the Association, or any person who may have served at its request as a Director or Officer (herein collectively referred to as the "Indemnatee"), shall be indemnified by the Association from liability for and against expenses actually and necessarily incurred by the Indemnatee in connection with the defense of any action, suit, or proceeding, whether civil or criminal (the "Proceeding") in which the Indemnatee is made a party by reason of being or having been such Director or Officer. This indemnification shall not be available to such a person, however, in relation to matters as to which he has (i) failed to act in good faith, or (ii) acted without a reasonable belief that his conduct was in the Association's best interests, or (iii) acted without a reasonable belief that his actions were lawful, or (iv) been adjudged in such Proceeding to be liable for gross negligence or intentional misconduct in performance of duty, or (v) been found liable on the basis that personal benefit was improperly received by him. The Association shall also reimburse any Indemnatee for the reasonable costs of settlement of any such Proceeding, if it shall be found by majority of the Directors not involved in the matter and controversy that it was in the best interests of the Association that such settlement be made, and that such Indemnatee was not guilty of gross negligence or intentional misconduct in performance of duty and the Indemnatee has met the other requisites specified above for indemnification. Such indemnification shall not be deemed exclusive of any other rights to which such Indemnatee may be entitled, under any bylaw, agreement, insurance policy, shareholder agreement, or otherwise.

11.2. **Determination of Eligibility.** A determination of indemnification shall be made:

(a) by a majority vote of a quorum consisting of Directors who at the time of the vote are not named defendants or respondents in the Proceeding;

(b) if such a quorum cannot be obtained, by a majority vote of a committee of the Board of Directors, designated to act in the matter by a majority vote of all Directors, such committee to consist solely of two or more Directors who at the time of the vote are not named defendants or respondents in the Proceeding; or

(c) by the Members of the Association in a vote that excludes the votes held by Directors or Officers who are named defendants or respondents in the Proceeding.

11.3. **Authorization.** Authorization for payment of indemnification and a determination as to reasonableness of expenses shall be made in the same manner as set forth in Section 11.2 above.

ARTICLE XII

MISCELLANEOUS

12.1. **Books and Records.** The Association shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its Members, Board of Directors, and committees having any of the authority of the Board of Directors, and shall keep at the principal office a record giving the names and addresses of the Members entitled to vote. All books and records of the Association may be inspected by any Member, or his agent or attorney, for any proper purpose at any reasonable time. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any Member of the principal office of the Association, where copies may be purchased at a reasonable cost.

12.2. **Fiscal Year.** The fiscal year of the Association shall begin on the 1st day of January and end on the 31st day of December of each year, except that the first fiscal year shall begin on the date of incorporation.

12.3. **Corporate Seal.** The Board of Directors shall provide a corporate seal, but affixing of a corporate seal shall not be necessary to authenticate any action of the Association unless otherwise required by the Board of Directors or these Bylaws.

12.4. **Waiver of Notice.** Whenever any notice is required to be given under the provisions of the Articles of Incorporation or these By laws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

11.5 **Notices.** Unless otherwise provided in these Bylaws, all notices, demands, bills, statements, or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States Mail first class postage prepaid:

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

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

ARTICLE XIII

AMENDMENTS

13.1. **Procedure.** The Bylaws of the Association may be amended, repealed, modified or restated by the vote or written assent of a majority of a quorum of the Members of the Association present or by proxy at a regular or special meeting of the Members.

13.2. **Construction.** In the event of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

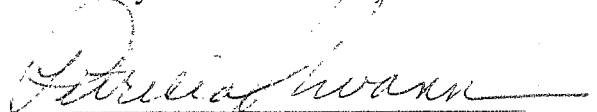
DIRECTORS:



Jacobo Malca



Chesley Swann



Patricia S. Swann