

BYLAWS  
OF  
VILLAGE AT Mac ARTHUR COMMONS  
HOME OWNERS ASSOCIATION

RECITAL

JEFFERSON PROPERTIES, INC. ("Declarant"), a Texas corporation, has or will file in the Deed Records of Dallas County, Texas, a Declaration Of Restrictive Covenants And Home Owners Association For Village At Mac Arthur Commons (as amended, modified and supplemented from time to time herein referred to as the "Declaration"). All terms capitalized herein and not defined herein shall have the same meanings as in the Declaration, which is incorporated herein by this reference for such purpose. Article I, Section 1(c) of the Declaration defines certain of the improvements located on the Property as being Common Property. The Declaration contains provisions which govern the use, enjoyment, management and operation of the Common Property. The Association is the entity under the Declaration to administer said Common Property. The owners of lots on the Property and Declaration may sometimes be referred to herein as "members."

ARTICLE I

PURPOSE AND PARTIES

Section 1.1. Purpose. The purposes for which the Association is formed are set forth in the Articles of Incorporation for the Association and include the administration and operation of the Common Property in accordance with the provisions of the Declaration.

Section 1.2. Parties. All present and future owners and tenants of any lots on the Property or any portion thereof, and any other person who might use in any manner the Common Property or the Property, shall be subject to the provisions set forth in these Bylaws and the Declaration. The mere acquisition, lease, rental or purchase of any lot or portion thereof on the Property or the mere act of occupancy of improvements on any lot on the Property by any person or persons will signify that these Bylaws and the Declaration are accepted, approved, ratified and will be complied with by such person or persons.

ARTICLE II

MEMBERSHIP, VOTING, MAJORITY OF OWNERS, QUORUM, PROXIES

Section 2.1. Membership. The members of the Association shall be all the record owners of lots or any portion thereof on the Property as shown on the Plat. Membership in the Association shall be

automatic upon attaining ownership of any lot or any portion of a lot within the Property and shall terminate automatically when such ownership status ceases, but such termination shall not relieve or release any such former member from any liability or obligation incurred under or in any way connected with the Association during the period of such membership in the Association, or impair any rights or remedies which the Association has against such former member, arising out of or in any way connected with membership in the Association and the covenants and obligations incident thereto or under the Declaration.

Section 2.2. Voting. Each designated member of the Association (section 2.9) shall have one (1) vote for each lot owned on the Property as shown on the original Plat filed in the Map Records, Dallas County, Texas.

Section 2.3. Majority of Members. As used in these Bylaws, the term "Majority of members" shall mean fifty-one percent (51%) of the members actually present, in person or by proxy, at any meeting of the members based on the votes held or represented by such members as set forth under the Declaration.

Section 2.4. Quorum. Except as otherwise provided in these Bylaws or required by law, the presence in person or by proxy of members holding or representing thirty-five percent (35%) of the votes entitled to be cast at a meeting shall constitute a quorum. In the event a quorum is not present at any meeting, then the meeting shall be adjourned, and notice shall be sent by mail or delivered in person of a new meeting for the same purposes within two (2) to four (4) weeks, at which meeting the number of members represented in person or by proxy shall be sufficient to constitute a quorum, except as otherwise required by the Declaration or by law. An affirmative vote of a Majority of members shall be required to transact the business of the meeting, unless the business is one upon which by express provision of any statute, the Articles of Incorporation of the Association or the Declaration a different vote is required, in which case such express provision shall govern and control the decision of such business. The members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

Section 2.5. Proxies. Votes may be cast in person or by written proxy. No proxy shall be valid after eleven (11) months from the date of its execution unless specifically provided in the proxy. All proxies must be filed with the Secretary or Assistant Secretary of the Association before the appointed time of each meeting. No person other than Declarant or an officer of the Association shall be entitled to cast votes as a proxy for more than one (1) lot not owned by such person.

Section 2.6. Cumulative Voting. No cumulative voting shall be permitted at any meeting of the members.

Section 2.7. Proof of Ownership. Except for Declarant and those owners who purchase a lot within the Property from Declarant, any person, on becoming a member, shall immediately furnish to the Board a true and correct copy of the original or a certified copy of the recorded instrument

vesting that person with ownership of the lot. A member shall neither be deemed to be in good standing nor be entitled to vote at any annual or special meeting of the Association unless this requirement is first met.

Section 2.8. Registration of Mailing Address. The owner or owners of a lot on the Property shall have one and the same mailing address registered with the Association to be used by the Association for mailing of assessment statements, notices, demands and all other communications, and such registered address shall be the only mailing address of such owner(s) required to be used by the Association. Such registered address of such owner(s) shall be deemed to be the mailing address of the lot owned by such owner(s) unless notice of a different address is furnished by such owner(s) to the Board. Such notice of a different registered address shall be in written form signed by all owner(s) of the applicable lot or by such person as are authorized by law to represent the interest of such owner(s).

Section 2.9. Designation of Representative. If a lot or any portion thereof on the Property is owned by one individual, his right to vote shall be established by the record title thereto. If title to a lot or any portion of the Property is held by more than one individual or by a firm, corporation, partnership, association, trust or other legal entity, or any combination thereof, such member shall execute and deliver to the Association a proxy appointing and authorizing one individual to attend all annual and special meetings of members and thereat to cast whatever vote the members themselves might collectively cast if they were personally present. Such proxy shall be effective and remain in force unless voluntarily revoked, amended or sooner terminated by operation of law; provided, however, that no proxy shall be valid after eleven (11) months from the date of execution unless specifically provided therein. Also, within ten (10) days after such revocation, amendment or termination, the members shall reappoint and authorize one individual to attend all annual and special meetings as provided by this Section 2.9. The requirements herein contained in this Section 2.9 must be met before such member(s) shall be deemed in good standing and entitled to vote at any annual or special meeting. The individual designated as provided above shall be the representative of such member(s) for the purpose of serving as an officer or Director of the Association. As to lots on the Property, such individual may, but need not, be the same individual designated as the occupant of any improvements on the lot.

### ARTICLE III

#### ADMINISTRATION

Section 3.1. Association Responsibilities. The members will constitute the Association which will have the responsibility of administering the Common Property through its Board.

Section 3.2. Office. The office of the Association shall be located at the principal office of the Declarant while it has control and thereafter at such address as the Board may from time to time designate.

Section 3.3. Place of Meeting. Meetings of the Association shall be held at such suitable place convenient to the members as the Board may determine.

Section 3.4. Annual Meetings. The first annual meeting of the members of the Association shall be held within four (4) months of the earlier to occur of: (a) the applicable period specified by Article VII of the Declaration or (b) sooner at the option of the Declarant, such period prior to the first annual meeting being sometimes referred to as the "Declarant Control Period." Thereafter, subsequent annual meetings of the Association shall be held in each succeeding year during the month of March at such date and time as scheduled by the Board of Directors. At such meetings, the Board shall be elected by ballot of the members in accordance with the requirements of Section 4.4 hereof. The members may also transact such other business of the Association as may properly come before them. The control of the Association shall pass to the members at such first annual meeting; provided, Declarant shall continue to have the right to cast all votes allocable to the lots on the Property owned by it.

Section 3.5. Special Meetings. Unless otherwise prescribed by statute, it shall be the duty of the President to call a special meeting of the members as directed by resolution of the Board or upon a petition signed by members holding not less than ten percent (10%) of the votes in the Association being presented to the President of the Association. The notice of any special meeting shall state the time, place and purpose of such meeting. Any such meetings shall be called within thirty (30) days after receipt by the President of such resolution or petition. Matters transacted at all special meetings shall be confined to the items stated in the notice of such meeting.

Section 3.6. Notice of Meetings. It shall be the duty of the Secretary or Assistant Secretary of the Association to mail, postage prepaid, a notice of each annual or special meeting, stating the time and place it is to be held, and in the case of a special meeting, the purpose or purposes for which the meeting is called, to each member at the latest address shown for such member on the records of the Association, at least thirty (30) days, prior to such meeting.

## ARTICLE IV

### BOARD OF DIRECTORS

Section 4.1. Number and Qualification. During the Declarant Control Period, the affairs of the Association shall be governed by an initial Board of Directors (the "Board") consisting of the three (3) persons named in the Articles of Incorporation of the Association. Declarant shall have the right to remove any of the initial directors at any time, with or without cause. If a vacancy occurs in the initial Board of Directors prior to the Record Date (as defined in the Declaration) and first annual meeting of the members of the Association, such vacancy shall be filled by a person designated and appointed by Declarant. At such first annual meeting, there shall be elected to the Board five (5) members who shall thereafter govern the affairs of the Association until their successors have been duly elected and qualified. All Directors except those appointed by Declarant must be members or designated representatives of members.

Section 4.2. Powers and Duties. The Board shall have all powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of the Common Property. The Board may do all such acts and things except as by law, these Bylaws or the Declaration may not be delegated to the Board.

Section 4.3. Other Powers and Duties. Such powers and duties of the Board shall include, but shall not be limited to, the following, all of which shall be done for and on behalf of the members:

(a) To establish such reasonable Rules and Regulations as may be necessary for the operation and use of the Common Property and/or the rights of and uses by owners with respect to the Sideyard Easement (as defined in the Declaration) with the right to amend such Rules and Regulations from time to time. A copy of such Rules and Regulations shall be delivered or mailed to each member promptly upon the adoption thereof.

(b) To construct, reconstruct, manage, maintain and keep in good order, condition and repair all of the Common Property and all property owned or leased by the Association.

(c) To prepare an annual budget for the operation of the Common Property and the Association as provided in the Declaration.

(d) To determine the amount of assessments payable by the members to meet the expenses of operating the Common Property and to allocate and assess such amounts among the members according to the Declaration and these Bylaws; to decrease or increase the amount of the annual assessments; and to levy and collect special assessments whenever, in the opinion of the Board, it is necessary to do so in order to meet increased operating or maintenance expenses or costs, additional capital expenses, because of emergencies or for any other permitted purpose.

(e) To collect delinquent assessments by suit or otherwise and to enforce compliance with the provisions of the Declaration, these Bylaws and the Rules and Regulations applicable to the Common Property by appropriate means, including, without limitation, the expenditure of funds of the Association, the employment of attorneys and the commencement and prosecution of lawsuits. To provide for and collect interest on delinquent assessments at a rate (not to exceed the maximum rate allowed by law) set by the Board from time to time or authorized by the Declaration. The Board shall give each member notice of the rate of interest from time to time set by the Board. To levy and collect reasonable fines against members for violations of the provisions of these Bylaws and the Rules and Regulations applicable to the Common Property. No fine may be levied for more than One Hundred Dollars (\$100.00) for any one violation; provided, each day a violation continues after notice is given to the member shall be a separate violation. If a member makes a written request to the Board for a hearing, the fine shall be suspended until the hearing is held. Fines shall be deemed special assessments and may be collected as such by the Association. The Board has the right to adjust any fine as deemed appropriate.

- (f) To enter into contracts within the scope of its duties and powers.
- (g) To establish a bank account or accounts for the common treasury and for all separate funds which are required or may be deemed advisable by the Board.
- (h) To keep and maintain full and accurate books and records showing all of the receipts, expenses and disbursements of the Association in accordance with generally accepted accounting principles, consistently applied, and to permit examination of such books and records (not more often than quarterly) by each of the members, any mortgagee of a lot and insurers of improvements on a lot at convenient hours on working days as set by the Board and announced for general knowledge. At the request of the President of the Association or a Majority (51%) of the members of the Association, the Board shall cause a complete audit of the books and accounts of the Association, at the expense of the Association, by an outside certified or public accountant.
- (i) To prepare and deliver annually to each member a statement showing receipts, expenses and disbursements of the Association since the last such statement.
- (j) To meet at least once each quarter; provided, that any Board meeting may be attended and conducted by telephone or other device which permits all of the Directors in attendance to participate in such meeting, and, provided further, that any action required to be taken at any meeting of the Board, or any action which may be taken at such meeting, may be taken without a meeting if a consent, in writing, setting forth the action so taken, shall be signed by all of the members of the Board.
- (k) To designate, hire and dismiss the personnel necessary for the maintenance and operation of the Common Property, and, where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies and materials to be used by such personnel in the performance of their duties, which supplies, equipment and materials shall be deemed part of the Common Property.
- (l) To pay all charges for utilities or other services supplied to the Common Property.
- (m) To prepare and file any necessary tax returns for the Association.
- (n) To administer and enforce the provisions of the Declaration and all supplements and amendments thereto relating to the Common Property, or the Sideyard Easements, or the use of any lot, or the Property.
- (o) In general, to carry on the administration of the Common Property and the Association and to do all those things necessary and reasonable in order to carry out the

governing and the operation of the Common Property, perform the duties imposed upon the Association and exercise all rights granted to the Association under the Declaration.

Section 4.4. Election and Term of Office. At the first annual meeting of the members of the Association, the term of office of the three (3) members receiving the most votes for Director shall be fixed at three (3) years and the term of office of the two (2) members receiving the next greatest amount of votes for Director shall be fixed at two (2) years. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of three (3) years. The Directors shall hold office until their successors have been elected and attend their first meeting, except as is otherwise provided.

Section 4.5. Nominating Committee. Before each annual meeting of the members, the Board shall act as a nominating committee to nominate candidates for election to the Board. The names of the candidates shall be mailed to the members at least sixty (60) days before the election. Members may submit names of candidates other than those nominated by the Board by petition to the Board at least thirty (30) days prior to the election. Such petitions must be signed by members holding at least ten percent (10%) of the votes eligible to be cast and must be signed by each nominee to indicate the willingness to serve as a Director. No person shall be elected whose name is not so submitted unless no nominations are made prior to the meeting, in which event the names of candidates shall be submitted by the owners at the meeting. Persons nominated at the meeting must either be present and consent to the nomination or have indicated in writing the willingness to serve.

Section 4.6. Vacancies. After the first annual meeting of the members of the Association, vacancies on the Board caused by any reason other than the removal of a Director by a vote of the members shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum. Each person so elected shall be a Director for the remainder of the term of the replaced Director and until a successor is elected at the next annual meeting of the members of the Association after the end of each such replacement Director's Term.

Section 4.7. Removal of Directors. Prior to the Record Date and first annual meeting of the members of the Association, no Director shall be subject to removal by the members. Thereafter, at any regular or special meeting duly called for such purpose, any one or more of the Directors may be removed with or without cause by a Majority of members, 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 shall be given an opportunity to be heard at the meeting.

Section 4.8. Annual Meetings. The annual meetings of the Board shall be held following the annual meetings of the members; provided, during the Declarant Control Period such annual meetings shall be held at the times and places from time to time determined by the Directors. No notice shall be necessary to the Directors in order legally to constitute such meeting if a majority of the Board shall be present.

Section 4.9. Regular Meetings. Regular meetings of the Board may be held without notice

at such time and place as shall be determined from time to time by the Directors. the first meeting of the Board shall be held within one (1) year after the date of the first conveyance by Declarant of a lot on the Property.

Section 4.10. Special Meetings. Special meetings of the Board may be called by the President on five (5) days notice to each Director, given personally or by mail, telephone or email, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary or Assistant Secretary of the Association in like manner and on like notice on the written request of one or more Directors.

Section 4.11. Waiver of Notice. Before or after any meeting of the Board requiring notice, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the purpose, time and place thereof, except where a Director attends a meeting only for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 4.12 Board Quorum. At all meetings of the Board, a majority of the Directors shall constitute 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 shall be the acts of the Board. If, at any meeting of the Board, there be less than a quorum present, the majority of these present may adjourn the meeting from time to time.

Section 4.13. Compensation. No member of the Board shall receive any compensation for acting as such.

Section 4.14. General. Each Director shall exercise his powers and duties in good faith and with a view to the interests of the Association. No contract or other transaction between the Association and any of the Directors, or between the Association and any corporation, firm or association (including Declarant) in which any Director of the Association is peculiarly or otherwise interested, is either void or voidable because any such Director is present at the meeting of the Board which authorizes or approves the contract or transaction, or because his vote is counted for such purpose, if: (i) the fact of the common interest is disclosed or known to a majority of the Board or noted in the minutes and the Board authorizes, approves or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; or (ii) the fact of the common interest is disclosed to at least a majority of the members and the members approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose; or (iii) the contract or transaction is commercially reasonable to the Association at the time it is authorized, ratified, approved or executed. Any interested Director may be counted in determining the presence of a quorum of any meeting of the Board which authorizes, approves or ratifies any contract or transaction and may vote with like force and effect as if such Director was not so interested.

## ARTICLE V

### OFFICERS

Section 5.1. Designation. The officers of the Association shall be a President, one or more Vice Presidents, a Secretary and a Treasurer, all of whom shall be elected by the Board, and such assistant officers as the Board shall, from time to time, elect. Except for the President who shall be a Director, such officers need not be Directors, but each shall be either a member or, if the member is a firm, partnership, corporation, association or other legal entity, the authorized representative of such entity, or the Declarant or his representative(s). The offices of President and Treasurer may be held by the same person, and the offices of Vice President and Secretary or Assistant Secretary may be held by the same person. The offices of President and Secretary may not be held by the same person.

Section 5.2. Election of Officers and Term of Office. The officers of the Association shall be elected by the Board at its annual meeting and shall hold office for a term of one (1) year or until their successors are elected and qualified.

Section 5.3. Resignation and Removal of Officers. Upon an affirmative vote of a majority of the Board, any officer may be removed, either with or without cause, and his successor elected at any regular or special meeting of the Board. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Until the Record Date and first meeting of the members of the Association, Declarant may remove any officer at any time, with or without cause.

Section 5.4. Vacancies. A vacancy in any office because of the death, resignation, removal, disqualification or otherwise of the officer previously filling such office may be filled by the Board. The officer elected to fill such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 5.5. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board. He shall have all of the general powers and duties which are usually vested in the office of president of a non-profit corporation, including, but not limited to, the power to appoint committees from among the members from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association or as may be established by the Board or by the members at any regular or special meetings.

Section 5.6. Vice Presidents. Each Vice President shall have such powers and duties as may be assigned him by the Board. The Vice Presidents shall have all the powers and authority and perform all of the functions and duties of the President, in the absence of the President, or in the event the President is unable or fails for any reason to exercise such powers and functions or perform such duties, and also perform any duties they are directed to perform by the President.

Section 5.7. Secretary. The Secretary shall record the votes and keep all the minutes of the meetings of the Board and the Association; keep the corporate seal of the Association; serve notice of meetings in conformity with these bylaws; have charge of such books and papers as the Board may direct; and, in general, perform all the duties incident to the office of Secretary and as provided in the Declaration and the Bylaws.

The Secretary shall compile and keep up to date at the principal office of the Association a complete list of members and their last known addresses as shown on the records of the Association. Such list shall also show opposite each member's name the number or other appropriate designation of the owner's lot and residential mailing address. Such list shall be open to inspection by the members and other persons lawfully entitled to inspect the same at convenient times during regular business hours set by the Board and announced for general knowledge.

Section 5.8. Assistant Secretary. The Assistant Secretary, if any, shall have all the power and authority to perform all the functions and duties of the Secretary in the absence of the Secretary or in the event of the Secretary's inability or failure for any reason to exercise such powers and functions or to perform such duties, and also to perform any duties he is directed to perform by the Secretary.

Section 5.9. Treasurer. The Treasurer shall have responsibility for the Association funds and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board.

## ARTICLE VI

### ASSESSMENTS

Section 6.1. Duty to Pay Assessments. Declarant, for itself and on behalf of all owners of the lots on the Property, has covenanted, and each member by acceptance of title thereto, whether or not it shall be so expressed in the instrument conveying such title, has, as a part of the purchase money consideration for such conveyance, covenanted and agreed to pay to the Association regular annual assessments, special assessments and all other charges and fees provided to be paid to the Association herein and in the Declaration. No member may exempt himself from liability or the payment of assessments or any such other sum by waiver of the use or enjoyment of any of the Common Property or by the abandonment of his lot. The total amount of all assessments and other sums payable by each member pursuant to the Declaration shall be the personal debt of such member. If any lot or portion of the Property is owned by more than one (1) person, each such person shall be jointly and severally liable for the payment of all such assessments and other sums.

Section 6.2. Purpose of Assessments. Assessments, charges and fees levied by the Association shall be used for promoting the recreation, health, safety and welfare of the members, for the

administration, improvement, maintenance, repair, operation and management of the Common Property for the common good of the members, for the administration of the Property, the Association, the Declaration and these Bylaws and any promulgated Rules and Regulations and for such other purposes as are authorized by the Declaration of these Bylaws.

Section 6.3. Date of Commencement of Regular Annual Assessments. The regular annual assessments provided for herein and in the Declaration shall commence on the date of the completed conveyance of the first lot with a completed residence as specified by the Declaration. All such assessments shall be prorated on a per diem basis for partial months.

## ARTICLE VII

### ABATEMENT AND CURE OF OWNERS' VIOLATIONS

The violations of any Rule or Regulation, the breach of any Bylaw provision or the breach of any provision of the Declaration shall give the Board the right, in addition to any other rights set forth in the Declaration or herein: (i) to enter upon the lot on which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting owner of that lot, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions thereof, and the Board shall not be deemed guilty in any manner of trespass; and to expel, remove and put out same, using such force as may be reasonably necessary in so doing, without being liable to prosecution or any damages therefor and (ii) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach.

## ARTICLE VIII

### TITLE TO COMMON PROPERTY

Section 8.1. Association having Full Authority. Subject at all times to the provisions of the Declaration, these Bylaws give the Association and its Board full and complete authority to deal with the Common Property in the event of any mortgage or lien being placed thereon, any casualty or the threat of any taking by any entity with the power of eminent domain or otherwise having the power to condemn all or any part of the Common Property. The Association shall be and is the holder of fee simple title to the Common Property and no member shall have any title or interest in or right to use the Common Property except as a member of the Association and as to the permitted uses prescribed by the Declaration, these Bylaws and any applicable Rules and Regulations issued by the Board.

Section 8.2. Board Empowered to obtain Assistance. In the event of any casualty, condemnation or any other event affecting the rights, title or use of the Common Property by the Association or its members, or in any conflict involving a Sideyard Easement, the Board is authorized to obtain and pay for any assistance from attorneys, appraisers, architects, engineers or other professional or expert help as the Board deems necessary to protect the interests of the Association and its members in and to the Common Property or as may be necessary in connection with any administrative or legal proceedings involving the Common Property or the Association or any Sideyard Easement.

## ARTICLE IX

### INDEMNIFICATION

Section 9.1. Indemnification. The Directors, officers, agents and employees of the Association shall not be liable to the Association for any mistake in judgment or negligence (except for breach of fiduciary duty or intentional misconduct) in the performance of their duties. The Association

shall indemnify any officer, Director, agent or employee thereof or any former officer, Director, agent or employee who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (whether or not by or in the right of the Association) by reason of the fact that such person is or was a Director, officer, agent or employee of the Association, against expenses (including, but not limited to, attorneys' fees and costs of the proceeding), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with or in defense of such action, suit or proceeding if such person acted in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Association; provided that with respect to: (1) any criminal action or proceeding, such person had no reasonable cause to believe that his conduct was unlawful; or (2) any civil claim, issue or matter, such person was not guilty of breach of fiduciary duty, gross negligence or willful misconduct in the performance of his duties to the Association. Termination of any action, suit or proceeding by judgment, order, settlement or conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that such person had reasonable cause to believe that his conduct was unlawful, that such person did not act in good faith or in a manner which he reasonably believed to be in or not opposed to the best interests of the Association, or that such person was guilty of gross negligence or willful misconduct in the performance of his duties to the Association, all such matters being determined solely and exclusively by the Board for the purpose of indemnification as herein provided.

Indemnification under the preceding paragraph shall be made by the Association only as authorized in each specific case upon the determination that indemnification of such person is proper in the circumstances because such person has met the applicable standards of conduct as set forth herein. Such determination shall be made by the Board by a majority vote of Directors who were not parties to such action, suit or proceeding whether or not a quorum. Indemnification so determined may be paid, in part, before the termination of such action, suit or proceeding upon the receipt by the Association of an undertaking by or on behalf of the person claiming such indemnification to repay all sums so advanced if it is subsequently determined that he is not entitled thereto as provided in this Article IX.

To the extent that any such person has been successful on the merits or otherwise in the defense of any action, suit or proceeding, whether civil or criminal, such person shall be indemnified against expenses (including costs and attorneys' fees) actually and reasonably incurred by him in connection therewith.

The indemnification provided herein shall be exclusive of any and all other rights and claims to which those indemnified may be entitled as against the Association, and every Director, officer, agent or employee thereof under any provisions of these Bylaws, resolution, agreement or law and any request for payment hereunder shall be deemed a waiver of all such other rights, claims or demands as against the Association and each Director, officer, agent and employee thereof. The indemnification provided herein shall inure to the benefit of the heirs, executors, administrators and successors of any person entitled thereto under the provisions of this Article IX.

The Association shall, to the extent reasonably available, purchase and maintain insurance on

behalf of any person who is or was a Director, officer, employee or agent of the Association against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability under the provisions of this Article IX.

All liabilities, losses, damages, costs and expenses incurred or suffered by the Association by reason or relating out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as expenses; provided, however, that nothing contained in this Article IX shall be deemed to obligate the Association to indemnify any member who is or has been a Director, officer, agent or employee of the Association with respect to any duties or obligations assumed or liabilities incurred by him under and by virtue of the Declaration and these Bylaws that were assumed or incurred outside of his conduct specifically related to the fulfillment of his duties as an officer, Director, agent or employee of the Association.

Section 9.2. Other. The Board and the officers of the Association shall enter into contracts or other commitments as agents for the Association, and they shall have no personal liability for any such contract or commitment and the Association shall indemnify and hold them harmless from and against any and all liability to others on account of such contracts or other commitments.

## ARTICLE X

### FISCAL MANAGEMENT

Section 10.1. Accounts. The funds and expenditures of the members by and through the Association shall be credited and charged to accounts under the following classifications as shall be appropriate, all of which expenditures shall be expenses:

(a) Current expenses, which shall include all funds and expenditures within the Fiscal Year for which the funds are budgeted, including a reasonable allowance for contingencies and working funds, except expenditures chargeable to reserve funds and to additional improvements.

(b) Reserve funds for deferred maintenance which shall include funds for maintenance items which occur less frequently than annually.

(c) Reserve fund or replacement (sinking fund), which shall include funds for repair or replacement required because of damage, wear or obsolescence.

Section 10.2. Fiscal Year. The fiscal year of the Association shall be the calendar year as specified in the Declaration.

## ARTICLE XI

### AMENDMENTS TO BYLAWS

These Bylaws may be amended by the members at a special meeting called for such purpose or in any regular meeting so long as the notice of such meeting sets forth the complete text of the proposed amendment. Except as otherwise provided by law, all amendments shall be effective when approved by a Majority (51%) of members in attendance at a validly called meeting where a quorum is present, unless the amendment concerns any of those matters set forth in the Declaration which require a greater percentage vote. No amendment shall discriminate against any member or any group or class of members without the prior written consent of the members affected thereby. No amendment shall change or amend any rights expressly reserved to Declarant without Declarant's prior written consent. Upon approval of any such amendment, the Board shall mail copies of the revised Bylaws to all members and any mortgagees and insurers on any lot known to the Board by such mortgagee or insurer providing the Board with their written address and a request for such notice.

## ARTICLE XII

### NON-PROFIT ASSOCIATION

The Association is not organized for profit. No member, Director, officer or person from whom the Association may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Association be paid as salary or compensation to, or distributed to, or inure to the benefit of any Director, officer or member; provided, however, always (1) that reasonable compensation may be paid to any member, Director or officer while acting as an agent or employee of the Association for services rendered in effecting one or more of the purposes of the Association, and (2) that any member, Director or officer may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

## ARTICLE XIII

### CONFLICTING OR INVALID PROVISIONS

Notwithstanding anything contained herein to the contrary, should all or part of these Bylaws be in conflict with the provisions of the Texas Non-Profit Corporation Act, as amended, supplemented or replaced, such Act shall control; and should any part of these Bylaws be invalid or inoperative for any reason, the remaining parts, so far as is possible and is reasonable, shall be valid and operative.

## ARTICLE XIV

### NOTICES

All notices and other communications to members required or permitted by these Bylaws shall be in writing and shall be given by delivering the same to each member in person or by depositing same in the U.S. Mail, postage prepaid, addressed to each member at the address last given by each member to the Secretary of the Association. All notices and other communications required or permitted by these Bylaws to be given to Declarant or the Association shall be sent in the same manner to the following address:

Village At MacArthur Commons Home Owners Association  
4020 North MacArthur Suite 122, Box 214  
Irving, Texas 75038

## ARTICLE XV

### INSURANCE

Section 15.1. Liability Insurance. The Association shall obtain and continue in effect comprehensive public liability insurance for the Association, all mortgagees known to the Association and the members. Such policy shall cover the Common Property and shall contain a severability of interest provision and a notice of occurrence endorsement stating that the reporting of an occurrence is deemed to be done as soon as practicable if the Association reports the occurrence within thirty (30) days after it becomes aware of same. The scope of coverage may include all other coverage in the kinds and amounts commonly required by private institutional mortgage investors for projects similar to that located on the Property. Coverage shall be in an amount not less than Two Million Dollars (2,000,000.00) per occurrence for personal injury, including death, and/or property damage. The amount and types of liability coverage shall be reviewed by the Board annually. Each such policy shall contain provisions stating that the issuer of the policy shall deliver a duplicate original of the policy to any first mortgagee requesting same, and of any renewal thereof at least thirty (30) days prior to the expiration of the then current term thereof, and that such issuer must notify all named insureds at least thirty (30) days in advance of any material change to or cancellation of the policy.

Section 15.2. Property Insurance. The Association shall obtain and continue in effect appropriate property insurance coverages for the Common Property as determined by the Board to insure the walls, fences and landscaping against casualty and other injury as may be deemed prudent and economically reasonable by the Board. No casualty or property insurance coverage needs to be carried on any of the alley ways.

By our signatures hereto, the undersigned being all of the initial Directors of the Association, hereby adopt the foregoing Bylaws for the Association as of the 16th day of January, 1986.

*original signed*

PATRICK A. McCOWEN

*original signed*

B. CARL KLINKE

*original signed*

J. FRANK MILLER, III