

BYLAWS OF
THE ESTATES AT ARBOR CREEK, INC.
(A Non-Profit Corporation)

ARTICLE I

NAME; DEFINITIONS; PURPOSES

Section 1.1 Name. The name of the corporation shall be The Estates at Arbor Creek, Inc. (the "Association").

Section 1.2 Definitions. The Association is formed to exercise all the powers and privileges of the "Association" under the Declaration of Covenants, Conditions and Restrictions for Arbor Creek, dated January 28, 2003, and filed of record as Document Number 2003077767, Official Public Records, Travis County, Texas (as amended from time to time, including by Amendment and Restatement of Declaration of Covenants, Conditions and Restrictions for The Estates of Arbor Creek, the "Declaration"). Unless otherwise expressly defined herein, all capitalized terms shall be construed to have the meanings assigned to them in the Declaration..

Section 1.3 Purposes. Subject to the provisions of Article 1396-2.01 of the Texas NonProfit Corporation Act (the "Act"), the Association is organized exclusively to act as an agent for each and every Owner in exercising all of the powers and privileges, and performing all of the duties and obligations, of the Association under the Declaration, as set forth in the Declaration and the Articles.

ARTICLE 2

OFFICES

Section 2.1 Principal Office. The initial principal office of the Association shall be c/o Legacy/Monterey Homes L.P., 7718 Wood Hollow Drive, Suite 250, Austin, Texas, 78731. The Board may change the principal office of the Association from time to time.

Section 2.2 Other Offices. The Association may have additional offices at places within or without the State of Texas, as the Board may from time to time determine or the business of the Association may require.

ARTICLE 3

MEMBERS

Section 3.1 Membership. The Association shall have members (each, a "Member" and collectively, "Members"). Any Person, upon becoming an Owner of a Lot automatically shall be a Member of the Association. Membership shall be appurtenant to, and shall run with the property interest that qualifies the Owner for membership, and membership may not be severed from, or in any way transferred, pledged, mortgaged or alienated, except together with the title to such property interest.

Section 3.2 Voting Rights. Each Owner shall have the right to vote set forth in Section 4.3 of the Declaration. Within ten (10) days after the Board's request, any Owner which is not a natural person must deliver to the Board such documents as the Board reasonably may require to evidence the designation of an agent with authority to vote for such Owner on Association matters. Any President or Vice President of a corporation or limited liability company that is an Owner shall be deemed to have authority to vote for the corporation or limited liability company, or for any partnership of which the corporation or limited liability company is a general partner.

Section 3.3 Vote of Members. The vote of the majority of the votes entitled to be cast by the Members present, or represented by proxy, at a meeting at which a quorum is present, shall be the act of the Members meeting, unless the vote of a greater number is required by law, these Bylaws or by the Articles. The Members present or represented at a meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

Section 3.4 Proxy. A Member may vote either in person or by proxy executed in writing by the Member or the Member's duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. Each proxy shall be revocable unless expressly provided therein to be irrevocable, and in no event shall it remain irrevocable for more than eleven (11) months. Regardless of whether a proxy states it is irrevocable, all proxies will be revoked automatically and concurrently with a Member's conveyance of the Lot to which membership is appurtenant. Each proxy shall be filed with the Secretary before or upon commencement of the meeting.

Section 3.5 No Cumulative Voting. Each Member entitled to vote and in attendance by person or proxy shall have the right to vote one (1) vote for each Lot owned by the Member. Cumulative voting is prohibited.

Section 3.6 Voting Method. Voting on any question or in any election may be by voice vote or show of hands, unless the presiding officer shall order, or any Member shall demand, that the voting be by written secret ballot.

ARTICLE 4 MEETINGS OF MEMBERS

Section 4.1 Meeting Date. The first annual meeting of the Members, for the purpose of electing directors and transacting such other business as may properly be brought before the meeting, shall be held within one year after the date of incorporation of the Association. Subsequent annual meetings shall be held at such time and on such date as the Board may determine.

Section 4.2 Meeting Place. Meetings of the Members shall be held in at such place as the Board may determine. The time and place of each meeting shall be stated in the notice of meeting delivered to the Members.

Section 4.3 Failure to Hold Annual Meeting. Failure to hold an annual meeting shall not dissolve the Association. If the Board fails to call an annual meeting, any Member may demand that such meeting be held. Such a demand shall be in writing, and delivered by certified mail directed to any director of the Board. The annual meeting shall thereafter be called within sixty (60) days after the date of the demand.

Section 4.4 Special Meetings. Special meetings of the Members for any purpose or purposes may be called by the President, the Board, or the holders of at least one tenth (1/10th) of all the votes of the Association. A request for a special meeting shall state the purpose or purposes of the proposed meeting, and business transacted at any special meeting of Members shall be limited to the purposes described in the notice of the meeting.

Section 4.5 Notice of Meetings. Subject to the provisions of Article 1396-2.11B of the Act, written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting, either personally, by facsimile transmission, or by mail, by or at the direction of the President, or the Secretary, or the officers or persons calling the meeting, to each Member entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Member at the Member's address as it appears on the records of the Association, with postage thereon paid. If transmitted by facsimile, notice is deemed to be delivered on successful transmission of the facsimile.

Section 4.6 Waiver of Notice. Notice may be waived by a writing signed by the Member(s) entitled to the notice. This waiver may be executed at any time before, during or after the holding of the meeting. A Member's attendance at a meeting constitutes a waiver of notice, unless the Member attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 4.7 Informal Action By Members. Any action required or permitted to be taken at a meeting of the Members may be taken without a meeting if a consent in writing, setting forth the action to be taken, shall be signed by a sufficient number of Members as would be necessary to take that action at a meeting at which all of the Members were present and voted. Any such written consent shall be executed, dated, and filed with the Association in the manner required by Article 1396-9.10 of the Act.

Section 4.8 Quorum. Members holding at least twenty percent (20%) of the votes entitled to be cast at a meeting of the Members, represented in person or by proxy, shall constitute a quorum at a meeting of the Members. If no quorum is present or represented at any meeting of the Members, the Members entitled to vote, represented in person or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented any business may be transacted which might have been transacted at the original meeting.

Section 4.9 Conduct of Meeting. The President or Vice President shall preside over all meetings of the Members. The Secretary shall keep the minutes of the meeting and record in a Minute Book of the Association the resolutions that are adopted by the Members as well as a record of all transactions occurring thereat. Robert's Rules of Order (latest edition), as same may be modified by the Board from time to time, shall govern the conduct of all meetings of the Association when not in conflict with the Declaration or these Bylaws.

Section 4.10 Record Date for Determining Members Entitled to Notice and Vote. To determine which Members are entitled to receive notice of or to vote at any meeting of Members, or any adjournment thereof, or in order to make a determination of Members entitled to exercise any rights regarding any other lawful action, the Board may fix in advance a date as the record date for any such determination of Members, such date in any case to be not more than sixty (60) days prior to the date of the meeting or action that requires the determination of the Members. When a determination of Members entitled to notice of or to vote at any meeting of Members has been made as provided in this Section 4.10, that determination shall be 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 ninety (90) days after the record date for determining Members entitled to notice of the original meeting.

Section 4.11 Voting Members' List for Meeting. After fixing a record date for the notice of a meeting, the Association shall prepare an alphabetical list of the names of all its voting Members who are entitled to notice of the meeting. This list must show the address and number of votes each voting Member is entitled to cast at the meeting. The Association shall maintain, through the time of the Members' meeting, a list of Members who are entitled to vote at the meeting but are not entitled to notice of the meeting. This list shall be prepared on the same basis and be part of the list of voting Members.

Section 4.12 Inspection of Voting Member's List. Not later than two (2) business days after the date notice is given of a meeting for which a list was prepared, as provided by Section 4.11, and continuing through the meeting, the list of voting Members must be available for inspection by any Member entitled to vote at the meeting for the purpose of communication with other Members concerning the meeting at the Association's principal office or at a reasonable place identified in the meeting notice in the city where the meeting will be held. A voting Member or voting Member's agent or attorney is entitled on written demand to inspect and, subject to the limitations of Section B, Article 1396-2.23 of the Act, to copy the list at a reasonable time and at the Member's expense during the period it is available for inspection. The Association also shall make the list of voting Members available at the meeting, and any voting Member or voting Member's agent or attorney is entitled to inspect the list at any time during the meeting or any adjournment.

Section 4.13 Attendance by Telephone or Other Remote Communications Technology. Subject to the provisions of the Act and these Bylaws concerning notice of meetings and unless otherwise restricted by the Articles or these Bylaws, Members may participate in and hold a meeting of such Members by means of either (a) conference or speaker telephone or similar communications

equipment by means of which all persons participating in the meeting can hear each other, or (b) another suitable electronic communications system, including video-conferencing technology or the Internet, but only if the system provides access to the meeting in a manner or using a method by which each Member participating in the meeting can communicate concurrently with each other participant. Participation in a meeting pursuant to this Section 4.13 shall constitute presence in person at such 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.

ARTICLE 5

DIRECTORS

Section 5.1 Management. The affairs of the Association shall be managed by, and the control and disposition of its properties and funds shall be vested in, the Board, which may exercise all powers of the Association and do all such lawful acts and things as are not by law or by the Articles or by these Bylaws directed or required to be done by the Members.

Section 5.2 Number of Directors. The term “Director” means a person elected to serve on the Board. The number of Directors shall be three (3). Unless the Articles provide otherwise, the number of Directors may be increased or decreased from time to time by amendment to these Bylaws, but no decrease shall have the effect of shortening the term of any incumbent Director. The number of Directors may not be decreased to fewer than three (3). A Director need not be a resident of the State of Texas.

Section 5.3 Election and Term of Office. At the first annual meeting of the Members, the Members shall elect one Director for a term of three (3) years, one Director for a term of two (2) years and one Director for a term of one (1) year. At each annual meeting of the Members thereafter, upon the expiration of the initial term of office of each respective member of the Board, the Members shall elect a successor Director for a term of three (3) years. Directors may be re-elected to consecutive terms. The Members shall elect Directors at each annual meeting of Members. Unless removed in accordance with these Bylaws, each Director shall hold office for the term for which he or she is elected and until his or her successor shall have been elected and qualified.

Section 5.4 Powers and Duties of Directors. The Board shall have the powers and duties necessary in order to exercise all of the power and privileges, and perform all of the duties and obligations, of the “Association” under the Declaration, including without limitation, maintaining, preserving and providing architectural control for the Property and Common Area, and promoting the health, safety and welfare of the residents of the Property, and in the exercise of these purposes may exercise all powers applicable to non-profit corporations under the Act. The Board expressly may adopt and publish Association rules and establish penalties for the infraction thereof, and suspend voting rights during any period in which a Member is in default in the payment of any

Assessment levied by the Association, or after notice and hearing, for any period during which an infraction of the Association rules exists.

Section 5.5 Manager. The Board may retain a professional independent contractor (a "Manager") to perform such duties and services as the Board shall authorize. The Manager's compensation shall be set by the Board. No contract with a Manager shall be for a term exceeding three (3) years. Each management contract shall provide that it may be terminated by the Association with or without cause upon no more than thirty (30) days' prior written notice.

Section 5.6 Removal. At any meeting of the Members called expressly for that purpose at which a quorum is present, any Director or the entire Board may be removed either for or without cause.

Section 5.7 Vacancy. A vacancy on the Board may be filled by the vote of a majority of the remaining Directors then in office, though less than a quorum, or, if the Board elects, at a special meeting of the Members called for that purpose. Each successor Director shall be elected or appointed for the unexpired term of his predecessor in office and shall serve until his successor shall be elected and shall qualify. Any Directorship to be filled by reason of any increase in the number of Directors shall be filled by election at an annual meeting of the Members or at a special meeting of the Members called for that purpose. No action by the Board shall be invalid solely for the reason that there existed one or more vacancies on the Board at such time.

Section 5.8 Committees. The Board, by resolution adopted by a majority of the Directors in office, may from time to time designate one or more committees, including an Executive Committee, which, to the extent provided in such resolution, shall have and exercise the authority of the Board in the management of the Association. Each such committee shall consist of two (2) or more persons, a majority of whom are Directors; the remainder need not be Directors. Any non-Director who becomes a member of any such committee shall have the same responsibility with respect to such committee as a Director who is a member thereof. A majority of all the members of any such committee may determine its action and fix the time and place of its meetings, unless the Board shall otherwise provide. The Board shall have the power at any time to change the number and members of any such committee, to fill vacancies and to discharge any such committee. Other committees not having and exercising the authority of the Board in the management of the Association may be designated and appointed by a resolution adopted by a majority of the Directors at a meeting at which a quorum is present, or by the President thereunto authorized by a like resolution of the Board. Membership on such committees may, but need not be, limited to Directors.

Section 5.9 Compensation. No Director shall receive a salary for service as a Director. Nothing herein shall be construed to preclude a Director from serving the Association in any other capacity and receiving compensation for such other services.

Section 5.10 Location of Meetings. The Board may hold regular or special meetings either within or without the State of Texas.

Section 5.11 Organizational and Annual Meetings. An organizational meeting of the Board named in the Articles shall be held at the call of the incorporator for the purpose of adopting bylaws, electing officers, and for such other purposes that may come before the meeting. The incorporator calling the meeting shall give at least three (3) days notice thereof by mail to each Director named in the Articles, which notice shall state the time and place of the meeting. The first meeting of each newly elected Board shall be held at such time and place as shall be fixed by the previous Board, and no notice of such meeting shall be necessary to the newly elected Director(s) in order legally to constitute the meeting, provided a quorum shall be present. If the Board fails to fix the time and place of a first meeting, it shall be held without notice immediately following the annual meeting of Members, and at the same place, unless the time or place is changed by the unanimous consent of the Directors then elected and serving. Thereafter, each annual meeting of the Board shall be held without notice immediately following the annual meeting of the Members.

Section 5.12 Other Regular Meetings. The Board may determine the time and place for the holding of additional regular meetings without notice other than a resolution passed at a Board meeting.

Section 5.13 Special Meetings. Special meetings of the Board may be called by or at the request of the President or on the written request of any Director. Notice of the call of a special meeting shall be in writing and delivered for transmission to each of the Directors at least three (3) business days preceding the day for which such meeting is called. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Director at his address as it appears in the records of the Association with postage thereon paid. Neither the business proposed to be transacted, nor the purpose of any special meeting of the Board need be specified in the notice or waiver of notice of such meeting.

Section 5.14 Remote Attendance. Subject to the provisions of the Act and these Bylaws concerning notice of meetings and unless otherwise restricted by the Articles or these Bylaws, members of the Board, or members of any committee designated by the Board, may participate in and hold a meeting of such Board or committee by means of either (a) conference or speaker telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, or (b) another suitable electronic communications system, including video-conferencing technology or the Internet, but only if 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. Participation in a meeting pursuant to this Section 5.14 shall constitute presence in person at such 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.

Section 5.15 Waiver of Notice. Notice of any meeting may be waived in writing signed by the Person entitled to such notice. Such waiver may be executed at any time before, during or after the holding of such meeting. A Director's attendance at a meeting constitutes a waiver of notice of that meeting, unless the Director attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 5.16 Quorum; Act of Board. A majority of the number of Directors then in office shall constitute a quorum for the transaction of business. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board unless otherwise specifically required by law or these Bylaws. If a quorum is not present at any meeting of Directors, the Directors present may adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum is present.

Section 5.17 Conduct of Meeting. The President shall preside over all meetings of the Board. The Secretary shall keep the minutes of the meeting and record in a Minute Book all resolutions adopted by the Board and all transactions occurring at the meeting. Robert's Rules of Order (latest edition), as modified from time to time by resolution of the Board, shall govern the conduct of all meetings of the Association when not in conflict with the Declaration or these Bylaws.

Section 5.18 Action Without Meeting. Any action required to be taken at a meeting of Directors, or any action which may be taken at a meeting of the Directors or any committee, may be taken without a meeting if a consent in writing, setting forth the action to be taken, shall have been signed by a sufficient number of Directors or committee members as would be necessary to take that action at a meeting at which all of the Directors or members of the committee were present and voted. Any such written consent shall be executed, dated, and filed with the Association in the manner required by Article 1396-9.10 of the Act.

Section 5.19 Chairman. The Board may, but need not, elect one of the directors to serve as chairman and preside at meetings of the Board. Any such chairman shall serve at the will of the Board. In absence of such election, the President shall preside at meetings of the Board.

ARTICLE 6

OFFICERS

Section 6.1 Designation of Officers. The officers of the Association shall be elected by the Board and shall be a president, a vice-president, a secretary and a treasurer. The Board may elect additional vice-presidents, and one or more assistant secretaries and assistant treasurers. Any two or more offices may be held by the same person except that the offices of president and secretary shall not be held by the same person. Unless otherwise specified by the Board, the term of office for all officers shall be for one (1) year, commencing with the date of the annual Board meeting; provided that no such term of office shall exceed three (3) years and provided further that the officers of the Association shall hold office until their successors are elected or appointed and qualify, or until their death or until their resignation or removal from office. The preceding sentence shall not preclude re-election for successive terms which, in the aggregate, exceed three (3) years.

Section 6.2 Election of Officers. The officers of the Association shall be elected annually at the annual meeting of the Board. Each officer shall serve until the next election of officers. Each officer shall hold office until his successor has been elected and qualifies, or until the death, resignation, or removal of the officer.

Section 6.3 Appointment Of Other Officers and Agents. The Board may appoint such other officers and agents as it deems necessary. Such officers and agents shall be appointed for such term not to exceed one year and shall exercise such powers and perform such duties as may be determined from time to time by the Board.

Section 6.4 Compensation. The Association may pay compensation in a reasonable amount to its Members, Directors, officers and other agents for services rendered, but only as permitted by the Act and these Bylaws. The salaries and other compensation of all officers and agents of the Association shall be fixed by the Board. Any compensation paid to any officer of the Association in the form of salary, commission, bonus or otherwise that is determined in whole or in part to be unreasonable by the Internal Revenue Service shall be reimbursed by such officer to the Association, and each officer, by virtue of becoming an officer, agrees to execute and deliver to the Association any and all documents reasonably requested by the Association in order to provide for such reimbursement. No dividend shall be paid and no part of the income of the Association shall be distributed to its Members, Directors or officers. No loan shall be made by the Association to its Directors, officers, or employees.

Section 6.5 Removal. Any officer or agent elected or appointed by the Board may be removed at any time either for cause or without cause by the affirmative vote of a majority of the whole Board of Directors. Such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment shall not of itself create any contract right

Section 6.6 Duties of President. The President shall be the Chief Executive Officer of the Association, shall have general and active management of the business of the Association and shall see that all orders and resolutions of the Board are carried into effect. The President shall preside at all meetings of the Members and, in the absence of the Chairman of the Board, at all meetings of the Board.

Section 6.7 Duties of Vice-President In the absence of the president or in the event of his inability or refusal to act, the vice-president (or in the event there be more than one vice-president, the vice-presidents in the order designated, or in the absence of any designation, in the order of their election) shall perform the duties of the president, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the president. Each vice-president shall also have such powers and perform such other duties as from time to time may be assigned to him by the president or by the Board.

Section 6.8 Duties of Secretary. The Secretary shall attend all meetings of the Board of which, ex officio, he or she shall be the Secretary, and all meetings of Members, and record all of the proceedings of the meetings of the Board and of the Members in a minute book to be kept for that purpose and shall perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the Members, special meetings of the Board, and (if notice is required) regular meetings of the Board, and shall perform such other duties as may be prescribed by the Board or the President under whose supervision the Secretary shall be.

Section 6.9 Duties of Treasurer. The Treasurer shall have custody of the corporate funds and securities and shall keep full and accurate accounts and records of receipts, disbursements and other transactions in the records of the Association, and shall deposit all monies and other valuable effects in the name and to the credit of the Association in such depositories as may be designated by the Board. The Treasurer shall disburse the funds of the Association as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render the President and the Board, at its regular meetings, or when the President or Board so requires, an account of all his or her transactions as Treasurer and of the financial condition of the Association. If required by the Board, the Treasurer shall give the Association a bond of such type, character and amount as the Board may require.

ARTICLE 7

INDEMNIFICATION

Section 7.1 Power to Indemnify and to Purchase Indemnity Insurance. To the maximum extent permitted by Article 1396-2.22A of the Act (without regard, however, to Section Q of such Article), the Association shall indemnify any person who is or was a director or officer of the Association against any and all judgments, penalties (including excise and similar taxes), fines, settlements and reasonable expenses actually incurred by such person in connection with a proceeding (as defined in Article 1396-2.22A) because of that person's service or status as a director or officer. Further, the Association shall pay or reimburse reasonable expenses incurred by a director or officer who was, is or is threatened to be made a party in a proceeding, in advance of the final disposition of the proceeding, to the maximum extent permitted by Article 1396-2.22A; provided, however, that payment or reimbursement of expenses pursuant to the procedures set out in Section K of Article 1396-2.22A may be conditioned upon a showing, satisfactory to the Board in its sole discretion, of the financial ability of the officer or director in question to make the repayment referred to in such Section. Further, the Association may indemnify, and may reimburse or advance expenses to or purchase and maintain insurance or any other arrangement on behalf of, any person who is or was a director, officer, employee or agent of the Association, or who is or was serving at the request of the Association as a director, officer, partner, venturer, proprietor, director, employee, agent or similar functionary of another Association, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, in connection with any liability asserted against such person because of such service or status, to such further extent, consistent with Article 1396-2.22A and other applicable law, as the Board may from time to time determine. The provisions of this Section shall not be deemed exclusive of any other rights to which any such person may be entitled under any bylaw, agreement, insurance policy, or otherwise. No amendment, modification or repeal of this Section shall in any manner terminate, reduce or impair the right of any person to be indemnified by the Association in accordance with the provisions of this Section as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

ARTICLE 8

IN GENERAL

Section 8.1 Checks. All checks or demands for money and notes of the Association shall be signed by such officer or officers or such other person or persons as the Board may from time to time designate.

Section 8.2 Fiscal Year. The fiscal year of the Association shall be the calendar year unless otherwise fixed by resolution of the Board.

Section 8.3 Seal. The Association shall have no seal.

Section 8.4 Books and Records. The Association shall keep correct and complete books and records of account, and shall keep minutes of the proceedings of its Members and Board and committees having any authority of the Board, and shall keep at its registered office or principal place of business in Texas a record of the names and addresses of its Members entitled to vote. A Member of the Association, on written demand stating the purpose of the demand, has the right to examine and copy, in person or by agent, accountant, or attorney, at any reasonable time, for any proper purpose, the books and records of the Association relevant to that purpose, at the expense of the Member.

Section 8.5 Conveyance of Land; Loans. The Association may convey land by deed signed by an officer or agent of the Association when authorized by appropriate resolution of the Board or Members. The Association may borrow funds when authorized by appropriate resolution of the Board, subject to compliance with the Declaration.

Section 8.6 Amendment to Bylaws. The Board may amend or repeal the Association's Bylaws, or adopt new Bylaws.

Section 8.7 Notices. All notices, demands, bills, statement or other communications under these Bylaws shall be in writing and shall be considered to have been duly given if delivered either personally, by facsimile transmission, or by mail, to each person entitled to receive such notice. If mailed, a notice shall be deemed to be delivered when deposited in the United States mail addressed, if to a Member, to the Member at the Member's address as it appears on the records of the Association, with postage thereon paid, and if to the Association or the Board, at such address as may be specified to the Members from time to time (but in all events to the registered office of the Association). If transmitted by facsimile, notice is deemed to be delivered on successful transmission of the facsimile.

ARTICLE 9

ENFORCEMENT ACTIONS

Section 9.1 Breach of Declaration. If the Board believes that a Member is in breach of the Declaration, these Bylaws or any rules or regulations adopted by the Association, the Board may

enforce same; provided, however, that the Board shall comply strictly with the provisions of the Texas Residential Property Owners Protection Act, Chapter 209 of the Texas Property Code.

ARTICLE 10
FINANCIAL MATTERS

Section 10.1 Funds. 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 may select.

Section 10.2 Financial Records. The Association shall maintain current true and accurate financial records with full and correct entries made with respect to all financial transactions of the Association, including all income and expenditures, in accordance with cash basis good accounting practices. The Treasurer shall annually prepare, and the Board shall review and approve, a report of the financial activity of the Association for the preceding year, which report shall include a statement of support, revenue, and expenses and changes in fund balances, a statement of functional expenses, and balance sheets for all funds.

Section 10.3 Location of Financial Records and Reports. All records, books, and annual reports of the financial activity of the Association shall be kept at the registered office or principal office of the Association for at least three years after the closing of each fiscal year and shall be available to all Owners and Mortgagees for inspection and copying there during normal business hours. The Association may charge for the reasonable expense of preparing a copy of a record or report.