

**BYLAWS
OF THE
HILLTOP SPRINGS ROAD MAINTENANCE FUND, INC.**

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BYLAWS

OF THE

HILLTOP SPRINGS ROAD MAINTENANCE FUND, INC.

ARTICLE I. NAME, PRINCIPAL OFFICE, DEFINITIONS AND PROPERTY

A. Name

The name of the Fund is Hilltop Springs Road Maintenance Fund, Inc. (hereinafter sometimes referred to as the "*Fund*").

B. Principal Office

The principal office of the Fund shall be located in Travis County, Texas or in such other location as may be designated by the Board of the Fund from time to time.

C. Definitions

Except as otherwise provided herein, capitalized terms used in these Bylaws shall have the same meaning as set forth in the Covenant for Road Maintenance Costs for Hilltop Springs Ranch Road, recorded in the Official Public Records of Lampasas County, Texas under Clerk's File No. 174218 (said Covenant, as amended, renewed, extended or supplemented from time to time, is hereinafter referred to as the "*Covenant*") and/or the Certificate of Formation of the Fund filed of record with the Secretary of State of Texas (the "*Certificate of Formation*"), as applicable. Collectively the Covenant, Certificate of Formation and these Bylaws, together with any subsequent amendments thereto, are hereafter referred to as the "*Governance Documents*". As used herein, "*Member(s) in Good Standing*" refers to a Member who is not delinquent in the payment of any Assessment or any interest, late charges, costs or reasonable attorney's fees added to such Assessment under the provisions of the Governance Documents or as provided by law.

D. Property

The property affected by these Bylaws is the property described on **Exhibit "A"** to the Covenant, and any other property which is subsequently annexed and made subject to the authority of the Fund.

**ARTICLE II. FUND: MEMBERSHIP, MEETINGS, QUORUM,
VOTING, PROXIES**

A. Membership

The Fund shall have two (2) classes of membership, Class A and Class B, as more fully set forth in the Certificate of Formation and the Covenant and specifically incorporated herein by reference.

B. Place of Meetings

Meetings of the Fund shall be held at the principal office of the Fund or at such other suitable place convenient to the Members as may be designated by the Board.

C. Annual Meetings

Regular annual meetings shall be set by the Board. Directors to be elected by the membership shall be elected at an annual or special meeting.

D. Special Meetings

The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting of the Members if so directed by resolution of a majority of a quorum of the Board or upon a petition signed by Members in Good Standing representing at least thirty percent (30%) of the total Class A votes of the Fund. The notice of any special meeting shall state the date, time, place, and subject matter of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

E. Notice of Meetings

Written or printed notice stating the place, day, and hour of any meeting of the Members shall be delivered, either personally or by mail, fax or other electronic media, to each Member not less than ten (10) nor more than sixty (60) days before the date of such meeting, by or at the direction of the President, the Secretary, or the officers calling the meeting.

Notice to a Member by email or facsimile must be sent to the email address or facsimile number provided to the Fund in writing by that Member. If emailed, the notice of meeting shall be deemed to be delivered as of the date and time shown on a confirmation that the email was successfully transmitted. If faxed, the notice of meeting shall be deemed to be delivered as of the date and time shown on a written confirmation that the facsimile was successfully transmitted. For any given meeting, the Board may use any combination of the alternative methods for providing notice to the Members. If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail first class postage pre-paid addressed to the Member at the Member's address as it appears on the records of the Fund.

For the purpose of determining the Members entitled to notice of a meeting, the membership of the Fund shall be determined on the date the notice of meeting is first given.

F. 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, either in person or by proxy, 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 in writing at the time the meeting is called

to order. Further, casting a vote by any means authorized in these Bylaws, by a Member on any issue to be voted upon at the meeting shall be deemed a waiver by such Member of notice of the meeting. Attendance at a 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 in writing before the business is put to a vote.

G. Adjournment of Meetings

If any meeting of the Members cannot be held because a quorum is not present, either in person or by proxy, the presiding officer or a majority of the Members who are present at such meeting, in person or by proxy, may adjourn the meeting to a time not less than ten (10) nor more than sixty (60) days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business that might have been transacted at the meeting originally called may be transacted. All votes cast by Members prior to the originally called meeting by proxy, or by any means authorized in these Bylaws, on issues to be considered at the meeting shall be valid and may be counted at the reconvened meeting at which a quorum is present; provided that a Member who cast a vote on an issue by proxy or by any means authorized in these Bylaws may change that Member's vote at any time prior to the time that a call for a vote on the issue is made at the reconvened meeting at which a quorum is present. A Member may change his vote by attending the reconvened meeting in person, submitting a proxy at the reconvened meeting which either directs or authorizes the proxy holder to vote in a different manner, or changing the Member's vote by any means for voting authorized in these Bylaws. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Members in the manner prescribed for regular meetings.

H. Voting

The voting rights of the Members shall be as set forth in the Covenant, and such voting rights provisions are specifically incorporated herein. Each Member may vote in person or by proxy appointed by instrument in writing and subscribed by the Member or by the duly authorized attorney of such Member. The Board may determine if facsimile proxies may be valid. Electronic voting may be valid pursuant to rules and regulations promulgated by the Board. At any election where there is an equal number of nominees as there are positions to be filled, the Board may determine that election by ballot or vote is not required and may declare that the nominees are elected by unanimous consent or acclamation. At all meetings of Members, all questions, except those the manner of which is otherwise expressly governed by statute, the Covenant, Certificate of Formation of the Fund or by these Bylaws, shall be decided by the vote of a plurality of the Members of the Fund present in person or by proxy and entitled to vote, a quorum being present. At the option of the Board, any vote may be taken by absentee or electronic ballot, or any combination of absentee or electronic ballot, proxy or in person.

An absentee or electronic ballot may be counted toward a quorum of Members present as if in attendance at a meeting only for items appearing on the ballot.

I. Majority

As used in these Bylaws, the term “majority” shall mean those votes, Members, or other group as the context may indicate totaling more than fifty percent (50%) of the total eligible votes.

J. Quorum

Except as otherwise provided in these Bylaws or in the Covenant, the presence in person, or by proxy, of Members representing twenty percent (20%) of the total eligible votes in the Fund shall constitute a quorum at all meetings of the Fund. If the required quorum is not present, another meeting may be called subject to the same notice requirements, and the required quorum at the subsequent meeting shall be satisfied by those Members in attendance. No such subsequent meeting shall be held more than sixty (60) days following the initial or first meeting.

The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment.

K. Conduct of Meetings

The President, or his/her designee, shall preside over all meetings of the Fund, and the Secretary, or his/her designee, shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting and all transactions occurring at the meeting.

L. Proxies and Absentee Ballots

At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary before the appointed time of each meeting or by any date or time specified in the notice of meeting. Every proxy shall be revocable and shall automatically cease upon (i) conveyance by the Member of the Member’s interest in the property; (ii) receipt of notice by the Secretary of the death or judicially declared incompetence of a Member; (iii) receipt of written revocation; or, (iv) expiration of eleven (11) months from the date of the proxy. In the case of a Member’s execution of more than one proxy, the proxy with the latest date shall be valid. Proxies not delivered prior to the start of any meeting or by any earlier date or time if specified in the notice of meeting, shall not be valid.

The Board is vested with the authority to determine, in its sole discretion, if Members may vote on any issue to be voted upon by the Members under these Bylaws by absentee ballot that is delivered or mailed to the Fund or transmitted to the Fund by facsimile or by electronic communication over the Internet or the Fund network. To be valid, any vote cast by a Member by any of the alternative means must be received by the Fund by the date and time specified in the notice of meeting or, if no date and time is specified in the notice of meeting, by midnight of the day before the date of the scheduled meeting. The mechanism for voting by electronic communication must provide a sufficient method of identifying the Member and verifying the Member’s vote, and for which the Member may receive a receipt of the electronic transmission and receipt of the Member’s ballot. The Board shall have the authority but not the obligation to

adopt an electronic voting policy. Any requirement imposed by the Certificate of Formation, these Bylaws, a duly adopted Board policy, or by applicable law for a signature on any such absentee ballot may also be satisfied by a digital signature meeting the requirements of such documents or applicable law.

ARTICLE III. BOARD OF DIRECTORS: NUMBER, POWERS, MEETINGS

This Article III may not be amended without the express, written consent of the Class B Membership as long as the Class B Membership exists.

A. Composition and Selection

Section 1. Governing Body; Composition

The affairs of the Fund shall be governed by a Board of Directors, each of whom shall have one (1) vote. With the exception of the Declarant, not more than one (1) representative of a corporation or other entity may serve on the Board at any given time. If the Board is presented with written documented evidence from a database or other record maintained by a governmental law enforcement authority that a director was convicted of a felony or crime of moral turpitude not more than twenty (20) years before the date the Board is presented with the evidence, that director is immediately ineligible to run and/or serve on the Board, is automatically considered removed from the Board, and is prohibited from future service on the Board.

After Class B Membership ceases to exist, all directors must be Members of the Fund in case Members are individuals, or representatives of entity Members of the Fund as set forth in the preceding paragraph, respectively. However, so long as Class B Membership exists, Board members are not required to be Members. In the case of a Member that is an entity, the person designated in writing by either proxy or a resolution submitted to the Secretary of the Fund as the representative of such entity shall be eligible to serve as a director.

Section 2. Election of Directors

The initial Board shall consist of the three (3) directors identified in the Certificate of Formation who shall serve until their successors are appointed or elected as provided in this section.

The Class B Member retains the authority to appoint all members of the Board of directors of the Fund until the 120th day after the date seventy five percent (75%) of the Lots that may be created and made subject to the Covenant are conveyed to owners other than the Class B Member or a builder in the business of constructing homes who purchased the Lots from the Class B Member for the purpose of selling completed homes built on the Lots. Thereafter, while there is any Class B Membership, one-third of the Board members shall be elected by owners other than the Class B Member.

Election of directors by the Members may be by any mail ballot, proxy and/or electronic media, by a plurality vote of the Members in person or by proxy, or by any combination of the same as determined by the Board.

Notwithstanding anything contained herein to the contrary, in an election of directors by Members other than Class B Member, in which election there are more candidates than vacant positions and where two or more candidates receive the same number of votes resulting in a tie, the winner of the election shall be chosen by lot (i.e., the names of the candidates who are running for a director position and have received the same number of votes shall be written on separate pieces of paper by the presiding officer of the meeting, the pieces of paper shall be folded by the presiding officer and placed in a container provided by the then-serving Board; the presiding officer shall ask for a volunteer Member from the audience of Members to pick any one piece of paper from the container and the person whose name is picked shall be declared the winner of such election).

Section 3. Right To Disapprove Actions

So long as the Class B Membership exists, the Class B Member shall have a right to disapprove actions of the Board and any committee, as is more fully provided in this Section. This right shall be exercisable only by the Class B Member, its successors, and assigns who specifically take this power in a recorded instrument. The right to disapprove shall be as follows:

No action authorized by the Board of Directors of a Board elected by the Members, or any committee shall become effective, nor shall any action, policy, or program be implemented until and unless:

(a) The Class B Member shall have been given written notice of all meetings and proposed actions approved at meetings of the Board or any committee thereof by certified mail, return receipt requested, or by personal delivery at the address the Class B Member has registered with the Secretary of the Fund, as it may change from time to time. Notwithstanding anything contained herein to the contrary, for so long as there is one director who has been appointed by the Class B Member, the notice required in this provision shall be deemed to have been satisfied via the notice of meeting provided to the directors; and

(b) The Class B Member shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program to be implemented by the Board or the Fund. The Class B Member, its representative or agents shall make its concerns, thoughts, and suggestions known to the members of the Board. The Class B Member shall have and is hereby granted a right to disapprove any such action, policy, or program authorized by the Board and to be taken by the Board, the Fund, or any individual Member of the Fund, if Board, or Fund approval is necessary for such action. This right may be exercised by the Class B Member, its representatives, or agents at any time within ten (10) days following the meeting held pursuant to the terms and provisions hereof. The Class B Member shall not use its right to disapprove to reduce the level of services that the Fund is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

Section 4. Number of Directors

The number of directors in the Fund shall be not less than three (3) nor more than five (5). The number of directors may be increased or decreased within the parameters set forth above by unanimous written consent of the directors, without the approval of the Members. A decrease in the number of directors may not cut short a sitting director's term of office without that director's written consent. An increase in the number of directors shall be effectuated at the next annual or special meeting of the Members where the increased positions on the Board shall be filled by a vote of the Members as provided herein for the election of directors, and further provided that the staggering of terms be sustained in a manner similar to that set forth in these Bylaws.

Section 5. Term of Office of Directors

The term of office of each director elected by the Members shall be for three (3) years from the date of their election or appointment, with the understanding that a director may be reelected for additional three-year terms. Each director shall continue to hold office until his/her successor is appointed or elected and qualified.

At the first annual meeting following the termination of the Declarant's status as the Class B Member, the Members shall elect one (1) director for a term of one (1) year, one (1) director for a term of two (2) years and one (1) director for a term of three (3) years and at annual meetings thereafter, the Members shall elect directors for three-year terms. Unless otherwise established by the Board, the candidate receiving the highest number of votes shall serve the three-year term, the candidate receiving the second highest number of votes shall serve the two-year term, and the candidate receiving the third highest number of votes shall serve the one-year term.

In the event the number of directors increases as provided for in Section 4, at no time shall more than one-third (1/3) of the total number of directors be added to the same elected term.

Section 6. Nomination of Directors

After termination of Class B Membership, the Board may establish a Nominating Committee consisting of a chairperson, who shall be a member of the Board, and three (3) or more Members or representatives of Members. The Nominating Committee shall make as many nominations for election to the Board as it receives. Notwithstanding anything contained herein to the contrary, the Class B Member may appoint the members of the Nominating Committee for the first election where directors are to be elected by the Members.

Regardless of whether a Nominating Committee is formed, Members may also nominate themselves by submitting a written nomination to the Board on or before a date to be determined by the Board.

Section 7. Removal of Directors and Vacancies

A vacancy of a director position created prior to the expiration of his/her term, may be filled by the affirmative vote of the majority of the remaining directors, regardless of whether that majority is less than a quorum. A director so appointed to fill a vacancy is appointed for the unexpired term of the director's predecessor in office.

Any director elected by the Members may be removed, with or without cause, by the vote of Members holding a majority of the total Class A Member votes. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. A director who was elected at large solely by the votes of Members other than the Declarant may be removed from office prior to the expiration of his or her term only by a majority of the votes of Members other than the Declarant. Upon removal of a director, a successor shall then and there be elected by the Members entitled to elect the director so removed to fill the vacancy for the remainder of the term of such director.

Any director appointed by the Class B Member may only be removed by the Class B Member.

B. Meetings

Section 1. Organizational Meetings

The first meeting of the Board following each annual meeting of the Members shall be held within sixty (60) days thereafter at such time and place as shall be fixed by the Board.

Section 2. Board Meetings

A Board meeting means a deliberation between a quorum of the voting Board or between a quorum of the voting Board and another person, during which Fund business is considered and the Board takes formal action. A Board meeting does not include the gathering of a quorum of the Board at a social function unrelated to the business of the Fund or the attendance by a quorum of the Board at a regional, state, or national convention, ceremonial event, or press conference, if formal action is not taken and any discussion of Fund business is incidental to the social function, convention, ceremonial event, or press conference.

Section 3. Special Meetings

Special meetings of the Board shall be held when called by written notice issued at the request of the President or by written resolution of a majority of a quorum of the Board.

Section 4. Waiver of Notice

The transaction of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a

meeting shall also be deemed given to any director who attends the meeting without protesting in writing before or at its commencement about the lack of adequate notice.

Section 5. Quorum of Board of Directors

At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board. If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors who are present at such meeting may adjourn the meeting subject to the notice requirements set forth herein. At the reconvened meeting, if a quorum is present, any business that might have been transacted at the meeting originally called may be transacted without further notice.

Section 6. Compensation

No director shall receive any compensation from the Fund for acting as such unless approved by Members representing a majority of the total Class A votes of the Fund at a regular or special meeting of the Fund; provided, however, that a director may be reimbursed for expenses incurred on behalf of the Fund upon approval of a majority of the other directors. Provided however, the Board can adopt a policy setting a value under which anything received is not considered compensation.

Section 7. Conduct of Meetings

The President, or his/her designee, shall preside over all meetings of the Board, and the Secretary, or his/her designee, shall keep a minute book of meetings of the Board, recording therein all resolutions adopted by the Board and all transactions and proceedings occurring at such meetings.

Section 8. Open Meetings After Termination of Class B Membership

After termination of the Class B Membership, regular and special Board meetings must be open to the Members, subject to the right of the Board to adjourn a Board meeting and reconvene in closed executive session.

Notice to the Members of the date, hour, place and general subject of regular or special Board meetings, including a general description of any matter to be brought up for deliberation in executive session, shall be:

- A. mailed to each Member not later than the 10th day or earlier than the 60th day before the date of the meeting; or
- B. provided at least 72 hours before the start of the meeting by
 - 1. posting in conspicuous manner reasonably designed to provide notice to the Members;

2. in a place located on the Fund's common property, or a Member's property with their consent, or other property within the development;
3. on any internet website maintained by the Fund or other internet media; and
4. sending notice by email to each Member who has registered an email address with the Fund.

C. It is the Member's duty to keep an updated email address registered with the Fund

If the Board recesses to continue the following regular business day, the Board is not required to post notice of the continued meeting if the recess is taken in good faith and not to circumvent this provision. If the meeting is continued to the next business day, and the Board again continues the meeting to another day, the Board shall give notice of continuation in at least one of the manners described above, within two (2) hours after adjourning the meeting being continued.

The Board may meet by any method of communication, including electronic and telephonic, without prior notice to Members if:

- A. each director may hear and be heard by every other Director; or
- B. the Board may take action by unanimous written consent to consider routine and administrative matters or reasonably unforeseen emergency or urgent necessity that requires immediate action by the Board.
- C. Any action taken without notice to the Members must be summarized orally, including estimation of expenditures approved at the meeting, and documented in the minutes of the next regular/special Board meeting.

No votes at any Board meeting may be by proxy or secret ballot, except that secret ballots may be utilized in the election of officers. Except as provided below, the Board may take action outside of a meeting, including voting by electronic or telephonic means, without prior notice to Members, if each director is given a reasonable opportunity to express the director's opinion to all other Board members and to vote. Any action taken without notice to Members, must be summarized orally, including an explanation of any known actual or estimated expenditures approved at the meeting, and documented in the minutes of the next regular or special Board meeting. The Board may not, without prior written notice to Members, consider or vote on any of the following issues:

1. Fines;
2. Damage assessments;
3. Initiation of foreclosure actions;
4. Initiation of enforcement actions, excluding temporary restraining orders or violation involving a threat to health or safety;
5. Increases in assessments;
6. Levying of special assessments;

7. A suspension of a right of a particular Member before the Member has an opportunity to attend a Board meeting to present the Member's position, including a defense, on the issue.
8. lending or borrowing money;
9. the adoption or amendment of a Governance Document;
10. the approval of an annual budget or the approval of an amendment of an annual budget that increases the budget by more than 10 percent;
11. the sale or purchase of real property;
12. the filling of a vacancy on the board;
13. the construction of capital improvements other than the repair, replacement, or enhancement of existing capital improvements; or
14. the election of an officer.

Every act or decision done or made by a majority of the Board members present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

The Board may close a portion of its meetings for purposes of discussing actions involving personnel, pending or threatened litigation, contract negotiations, enforcement actions, confidential communications with the Fund's attorney, matters involving the invasion of privacy of individual Members, or matters that are to remain confidential by request of the affected parties and agreement of the Board. Following an executive session, any decision made in the executive session must be summarized orally and placed in the minutes, in general terms, without breaching the privacy of individual Members, violating any privilege or disclosing information that was to remain confidential at the request of the affected parties. The oral summary must include a general explanation of expenditures approved in executive session.

Regarding all open meetings, Members other than directors may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a director. In such case, the President may limit the time any Member may speak.

This section applies to a meeting of the Board of Directors while Class B Membership exists only if the meeting is conducted for the purpose of:

- (1) adopting or amending the Governance Documents;
- (2) increasing the amount of regular assessments or adopting or increasing a special assessment;
- (3) electing Board members not designated by the Class B Member or establishing a process by which those directors are elected; or
- (4) changing the voting rights of Members.

C. Powers

Section 1. Powers

The Board shall be responsible for the affairs of the Fund and shall have all of the powers necessary for the administration of the Fund's affairs.

The Board may delegate to one (1) or more of its directors the authority to act on behalf of the Board on all matters relating to the duties of the managing agent or manager, if any, that might arise between meetings of the Board.

In addition to the authority created in these Bylaws, Texas law or by any resolution of the Fund that may hereafter be adopted, the Board shall have the power to establish policies relating to, and for performing or causing to be performed, the following, in way of explanation, but not limitation:

- (a) preparing and adopting of annual budgets;
- (b) making Assessments, establishing the means and methods of collecting such Assessments;
- (c) collecting the Assessments, depositing the proceeds thereof in a bank depository that it shall approve, and using the proceeds to operate the Fund; provided, any reserve funds may be deposited, in the directors' best business judgment, in depositories other than banks;
- (d) providing for the operation, care, upkeep and maintenance of the Road, including entering into a contract to provide for such operation, care, upkeep and maintenance;
- (e) making or contracting for the making of repairs, additions, and improvements to or alterations of the Road in accordance with the other provisions of the Covenant and these Bylaws after damage or destruction by casualty;
- (f) designating, hiring, and dismissing the personnel necessary for the operation of the Fund and the maintenance, operation, repair, and replacement of the Road and, where appropriate, providing 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;
- (g) making and amending rules and regulations and promulgating, implementing and collecting fines for violations and/or collecting fees related to enforcement of the rules and regulations, the Covenant, and all Governance Documents;
- (h) opening of bank accounts on behalf of the Fund and designating the signatories required;

(i) enforcing by legal means the provisions of the Governance Documents, and bringing any proceedings that may be instituted on behalf of or against the Owners concerning the Fund;

(j) obtaining and carrying insurance against casualties and liabilities with policy limits, coverage and deductibles as deemed reasonable by the Board and paying the premium cost thereof;

(k) paying the cost of all services rendered to the Fund or its Members and not chargeable directly to specific Owners;

(l) keeping books with detailed accounts of the receipts and expenditures affecting the Fund and its administration, specifying the maintenance and repair expenses and any other expenses incurred;

(m) maintaining a membership register reflecting, in alphabetical order, the names, property addresses and mailing addresses of all Members;

(n) making available upon request to any prospective purchaser, any Owner, any purchase money mortgagee, and the holders, insurers, and guarantors of a purchase money mortgage on any property in the Property, for any proper purpose during normal business hours by advance appointment, copies of the Governance Documents governing such property and all other books, records, and financial statements of the Fund for a reasonable charge; and making copies thereof available for a reasonable charge;

(o) compromise, participate in mediation, submit to arbitration, release with or without consideration, extend time for payment, and otherwise adjust any claims in favor of or against the Fund;

(p) commence or defend any litigation in the Fund's name with respect to the Fund or any Fund property; and

(q) regulate the use, maintenance, repair, replacement, modification, and appearance of the Road.

Section 2. Management

The Board may employ for the Fund a professional management agent or agents at a compensation established by the Board to perform such duties and services as the Board shall authorize.

Section 3. Accounts and Reports

The following management standards of performance will be followed unless the Board by resolution specifically determines otherwise:

(a) Accrual or cash accounting, as defined by generally accepted accounting principles, shall be employed.

- (b) Accounting and controls should conform to generally accepted accounting principles.
- (c) Cash accounts of the Fund shall not be commingled with any other accounts.
- (d) No remuneration without full disclosure and prior agreement of the Board, or as contained in a written management contract, shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Fund, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise. Provided however, the Board can adopt a policy setting a value under which anything received is not considered remuneration.
- (e) Any financial or other interest that any director, or the managing agent may have in any firm providing goods or services to the Fund shall be disclosed promptly to the Board.
- (f) Commencing at the end of the month in which the first Lot is sold and closed, financial reports may be prepared for the Fund monthly containing:
 - (i) an income statement reflecting all income and expense activity for the preceding period on an accrual or cash basis;
 - (ii) a statement reflecting all cash receipts and disbursements for the preceding period;
 - (iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;
 - (iv) a balance sheet as of the last day of the preceding period; and
 - (v) a delinquency report listing all Owners who are delinquent in paying any Assessments at the time of the report and describing the status of any action to collect such Assessments that remain delinquent.
- (g) An annual report consisting of at least the following shall be made available at the annual meeting of Members to all Members within one hundred twenty (120) days after the close of the fiscal year: (1) a balance sheet; (2) an operating (income) statement; and (3) a statement of changes in financial position for the fiscal year. The annual report referred to above may be prepared on an audited or reviewed basis, as determined by the Board, by an independent public accountant.

Section 4. Borrowing

The Board shall have the power to borrow money for the purpose of maintenance, repair or restoration of the Road and related facilities or for any other proper purpose without the approval of the Members of the Fund. The Board, on behalf of the Fund, may pledge the Fund's

Assessments and assign the Fund's lien rights as collateral for any loan obtained by the Board on behalf of the Fund.

Section 5. Rights of the Fund

With respect to the Road and in accordance with the Certificate of Formation and the Covenant, the Board shall have the right to contract with any person or entity for the performance of various duties and functions. Without limiting the foregoing, this right shall entitle the Board to enter into common management, operational, or other agreements with trusts, cooperatives, or other owner associations, both within and without the Property. Such agreements shall require the consent of a majority of the total number of directors of the Board.

The Fund shall not be bound, either directly or indirectly, by any contract, lease, or other agreement (including any management contract) unless such contract, lease or other agreement contains a right of termination exercisable by either party without penalty at any time, with or without cause. Such notice of termination must be submitted in writing, with receipted delivery confirmation, to all parties to the contract, lease or other agreement.

Section 6. Enforcement

The Board shall have the power to impose reasonable fines; provided, however, nothing herein shall authorize the Fund or the Board to limit ingress and egress to or from a Lot. The failure of the Board to enforce any provision of a Dedicatory Instrument shall not be deemed a waiver of the right of the Board to do so thereafter.

As provided in the Covenant, each Owner is obligated to pay to the Fund certain charges and Assessments, including such charges and Assessments as may be included, from time to time, by amendment to the Covenant. All costs, expenses, and fees charged to, or paid by, the Fund in collecting, or attempting to collect, such charges and Assessments, as well as interest as specified in the Covenant, shall be assessed against the Owner and the Lot, and shall become part of the Assessments due on the Lot. Likewise, all costs, expenses, and fees incurred by the Fund in rectifying, or attempting to rectify, a violation of a Dedicatory Instrument, shall be assessed against the Owner and the Lot, and shall become part of the Assessments due on the Lot. Such costs, expenses, and fees include, but are not limited to:

- (a) actual expenses, including attorney fees and court costs;
- (b) a Late Processing Fee may be set annually by the Board, which may be assessed for any account that has an unpaid balance on or after thirty (30) days after due date, as an inducement to pay on time and to offset administrative costs and expenses incurred in the collection process;
- (c) a Dishonored-Check Processing Fee, set by the Board, which may be assessed for any payment check dishonored by the bank, to offset the additional processing cost incurred; and

(d) a Partial Payment Processing Fee, set by the Board, which may be assessed if any payment for less than the full amount due at the time payment is made, to offset the additional processing costs incurred.

Any such Assessment or charge that is not paid when due shall be delinquent. All payments received from Members shall be applied first to costs and attorneys fees, then to interest, and then to delinquent fees and charges, then to delinquent Assessments (if any).

Notwithstanding anything to the contrary herein contained, the Fund, acting through the Board, may elect to enforce any provision of the Governance Documents by suit at law or in equity to enjoin any violation or to recover monetary damages or both

ARTICLE IV. OFFICERS

A. Officers

The officers of the Fund shall be a President, Vice President, Secretary, and Treasurer, to be elected from among the members of the Board. The Board may 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. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

B. Election, Term of Office and Vacancies

After termination of Class B Membership, the officers of the Fund shall be elected annually by the Board at the first meeting of the Board following each annual meeting of the Members. A vacancy in any office may be filled by the Board for the unexpired portion of the term.

C. Removal

Any officer may be removed from office, but not as a director of the Board, with or without cause, by a majority vote of the Board whenever in its judgment the best interests of the Fund will be served thereby.

D. Powers and Duties

The officers of the Fund shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time specifically be conferred or imposed by the Board. The President shall be the chief executive officer of the Fund. The Treasurer shall have primary responsibility for the preparation of the budget as provided for in the Covenant and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

E. 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 on the date of the 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. For the purposes of this Subsection, written resignation to the Board may be accomplished by facsimile, electronic transmission, certified mail, or receipted hand delivery.

F. Agreements, Contracts, Deeds, Leases, Checks, Etc.

All agreements, contracts, deeds, leases, checks, and other instruments of the Fund shall be executed by at least two (2) officers or such other person or persons as may be designated by resolution of the Board.

ARTICLE V. COMMITTEES

The Board is hereby authorized to establish committees to perform such tasks and to serve for such periods as may be designated by a resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Each committee established by the Board shall operate in accordance with the terms of the resolution of the Board designating the committee and in accordance with such rules as are adopted by the Board. All committees of the Board shall be vested with advisory powers only and are not authorized to act on behalf of the Board, unless otherwise specifically authorized by the Board or the Governance Documents. Committee members that are Members of the Fund must be Members in Good Standing.

ARTICLE VI. MISCELLANEOUS

A. Fiscal Year

The fiscal year of the Fund shall be January 1st to December 31st of each year.

B. Parliamentary Rules

Except as may be modified by Board resolution, Robert's Rules of Order (current edition) may, but is not required to, govern the conduct of Fund proceedings when not in conflict with Texas law, the Certificate of Formation, the Covenant, or these Bylaws.

C. Conflicts

If there are conflicts between the provisions of Texas law, the Certificate of Formation, the Covenant, and/or these Bylaws, then the provisions of Texas law, the Covenant, the Certificate of Formation, and the Bylaws (in that order) shall prevail.

D. Books and Records

Section 1. Inspection by Members and Mortgagees

The Covenant, Bylaws, and Certificate of Formation, any amendments to the foregoing, any rules and regulations of the Fund, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees shall be made available for inspection and copying by any holder, insurer or guarantor of a purchase money mortgage on a Lot, Member of the Fund, or by the duly appointed representative of any of the foregoing upon receipt of a written request, for inspection at any reasonable time and for a proper purpose during normal business hours at the office of the Fund or at such other place within the Property as the Board shall prescribe, by appointment.

Section 2. Rules for Inspection

The Board may establish reasonable rules with respect to:

- (i) notice to be given to the custodian of records;
- (ii) hours and days of the week when such an inspection may be made by appointment for a proper purpose; and
- (iii) payment of the cost of reproducing copies of documents requested.

Section 3. Inspection by Directors

Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Fund and the physical property owned or controlled by the Fund. The right of inspection by a director includes the right to make a copy of relevant documents at the expense of the Fund.

E. 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 pre-paid:

- (a) if to a Member at the address that the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Lot of such Member; or
- (b) if to the Fund, to the Board, or to the managing agent, at the principal office of the Fund or the managing agent, if any, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

F. Amendment

These Bylaws may be amended only by the affirmative vote, of a majority of the Board (and the consent of the Class B Member, so long as such membership exists). Notwithstanding the above, the percentage of votes or other approval necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

G. Indemnity

To the fullest extent permitted by applicable law, the Fund shall and does hereby agree to indemnify, protect, hold harmless and defend its officers, directors, and committee members, hereinafter referred to as “*Indemnitees*” from and against all claims, demands, damages, injuries, losses, liens, causes of action, suits, judgments, penalties, liabilities, debts, costs and expenses, including court costs and attorneys’ fees (collectively, “*Liabilities*”), of any nature, kind or description, whether arising out of contract, tort, strict liability, misrepresentation, violation of applicable law and/or any cause whatsoever (including without limitation, claims for injuries to or death of any person, or damages to or loss of any property) of any person or entity directly or indirectly arising out of, caused by, in connection with, or resulting from any act or omission of any of the Indemnitees; provided, however, that the Fund shall not indemnify the Indemnitees for any Liabilities arising as a result of the gross negligence or willful misconduct of Indemnitees. **THE OBLIGATIONS OF THE FUND UNDER THIS SECTION SHALL APPLY TO LIABILITIES EVEN IF SUCH LIABILITIES ARE CAUSED IN WHOLE OR IN PART BY THE SOLE, JOINT OR CONCURRENT NEGLIGENCE, FAULT OR STRICT LIABILITY OF ANY INDEMNITEE AND WHETHER OR NOT SUCH SOLE OR CONCURRENT NEGLIGENCE, FAULT OR STRICT LIABILITY WAS ACTIVE OR PASSIVE.**

The Indemnitees shall promptly advise the Fund in writing of any action, administrative or legal proceeding or investigation as to which indemnification may apply, and Fund, at Fund’s expense, shall assume on behalf of Indemnitees and conduct with due diligence and in good faith the defense thereof with competent trial counsel, provided, however, that Indemnitees shall have the right, at their own option, to be represented therein by advisory counsel of their own selection and at their own expense.

In the event of the failure by Fund to fully perform its obligations in accordance with this Section, Indemnitees, at their option, and without relieving the Fund of its obligations hereunder, may so perform, but all costs and expenses so incurred by Indemnitees in that event shall be reimbursed by the Fund to Indemnitees, together with interest, on the same from the date any such expense was paid by Indemnitees until reimbursed by the Fund, at the highest lawful rate of interest allowed under applicable usury laws of the State of Texas (or if no maximum rate is applicable, at the rate of eighteen percent (18%) per annum). The indemnification shall not be limited to damages, compensation or benefits payable under insurance policies. It is agreed with respect to any legal limitations now or hereafter in effect and affecting the validity or enforceability of the indemnification obligations under this Section, such legal limitations are made a part of indemnification obligations and shall operate to amend the indemnification obligations to the minimum extent necessary to bring the provisions into conformity with the requirements of such limitations, and as so modified, the indemnification obligations shall continue in full force and effect.

H. Business Judgment Rule

Any act or thing done by any director, officer, or committee member taken in furtherance of the purposes of the Fund, and accomplished in conformity with the procedures set forth in the Covenant, Certificate of Formation, the laws of the State of Texas, and/or these Bylaws, shall be reviewed under the standard of the Business Judgment Rule as established by the common law of Texas, and such act or thing done shall not be a breach of duty on the part of the director, officer, or committee member if they have been done within the exercise of their discretion and judgment.

The Business Judgment Rule means that a court shall not substitute its judgment for that of the director, officer or committee member. A court shall not re-examine the quality of the decisions made by the director, officer, or committee member by determining the reasonableness of the decision as long as the decision is made in good faith in what the director, officer, or committee member believes to be the best interest of the corporation.

I. Dissolution/Winding Up Termination

The Fund may be wound-up/dissolved pursuant to the Texas Business Organizations Code, or its successor statute. If the Fund is wound-up or dissolved, the assets shall be distributed pursuant to a plan of distribution approved by the Members.

J. Jurisdiction and Venue

The provisions in these Bylaws shall be governed by and enforced in accordance with the laws of the State of Texas. Venue shall be in Lampasas County, Texas.

[SIGNATURE PAGE FOLLOWS]

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the Secretary of Hilltop Springs Road Maintenance Fund, Inc., a Texas non-profit corporation;

That the foregoing Bylaws constitute the Bylaws of said Fund, as adopted by the Board of Directors of the Fund.

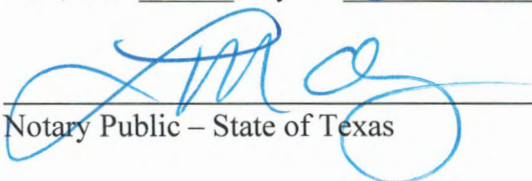
IN WITNESS WHEREOF, I have hereunto subscribed my name on this the 14th day of October, 2020.

By: 
Johnnie Melvin, Secretary

STATE OF TEXAS §
 §
COUNTY OF Hays §

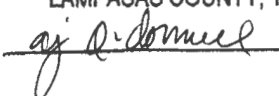
BEFORE ME, on this day personally appeared Johnnie Melvin, Secretary of Hilltop Springs Road Maintenance Fund, Inc., known by me to be the person whose name is subscribed to this instrument, and acknowledged to me that she executed the same for the purposes herein expressed, in the capacity herein stated, and as the act and deed of said corporation.

Given under my hand and seal of office, this 14th day of October, 2020.


Notary Public – State of Texas



183103
FILED FOR RECORD
10:30 am
OCT 16 2020

CONNIE HARTMANN, COUNTY CLERK
LAMPASAS COUNTY, TEXAS
 DEPUTY