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**BYLAWS  
OF  
PRADERA ESCONDIDA RANCH HOMEOWNERS' ASSOCIATION, INC.**

**ARTICLE I.  
NAME AND LOCATION**

The name of the corporation is Pradera Escondida Ranch Homeowners' Association, Inc., hereinafter referred to as the "Association". Prior to conversion of Class B Membership, the principal office of the corporation and the initial registered office of the corporation shall be c/o Equitis Solutions, LLC, a Texas limited liability company, 9676 Canyon Mist, Helotes, Texas 78023, but meetings of Members and Directors may be held at such places within the State of Texas, County of Bexar, as may be designated from time to time by the Board of Directors. Upon and after conversion of Class B Membership, the principal office of the corporation shall be located in Comal County, Texas or such other place as may be designated by the Board of Directors of the Association from time to time.

**ARTICLE II.  
DEFINITIONS**

2.1 Definitions. All capitalized words and phrases used herein shall have the meanings and definitions set forth in the Declaration of Covenants, Conditions, Easements and Restrictions for Planned Land Development of Pradera Escondida Ranch as recorded in Volume \_\_\_\_\_ at Page \_\_\_\_\_ of the Real Property Records of Comal County, Texas, and any subsequent Amendments to it and/or Certificates of Annexation relating to it (herein jointly called the "Declaration").

**ARTICLE III.  
ASSOCIATION MEMBERSHIP AND VOTING RIGHTS**

3.1 Membership. Every Owner of a Tract in Pradera Escondida Ranch, A Planned Land Development, (as the terms "Owner" and "Tract" are described in the Declaration) shall be a Member of the Association; provided, however, that any person or entity holding an interest in any Tract merely as security for the performance of an obligation shall not be a Member. Membership shall be appurtenant to and shall not be separated from ownership of a Tract.

3.2 Suspension of Membership. During any period in which a Member shall be in default in the payment of any annual or special assessment levied by the Association, the right to use all or a part of the Common Facilities of such Member may be suspended by the Board of Directors until such assessment shall be paid. Such rights of a Member may also be suspended after notice and hearing, for a period not to exceed sixty (60) days, for violation of any rules and regulations established by the Board of Directors governing the use of the Common Facilities or for violation of any provisions of the Declaration.

3.3 Voting Rights. There shall be two (2) classes of voting membership, Class A and Class B as set forth in Article IV, Section 2 of the Declaration. Class A Members shall be entitled to the number of votes set forth in the Declaration. Class B Members shall be entitled to the number of votes set forth in the Declaration. When ownership of any Tract is held by more than one person or by a legal entity which is not a natural person, all such owners shall be Members of the Association, however, the voting rights of such Members shall be limited to the number of votes set forth in the Declaration exercised as they among themselves shall determine.

3.4 Conversion. Class B Membership shall convert to Class A Membership upon the Control Transfer Date. The "Control Transfer Date" shall mean that point in time when the Declarant, at its sole option, shall cause an instrument transferring control to the Association to be recorded in the Official Public Records of Real Property of Comal County, Texas.

Upon the Control Transfer Date: (i) any remaining Class B Members shall become Class A Members; (ii) the Owners shall manage the Association; and (iii) the members of the Board at the time of conversion shall elect the Board. UPON THE CONTROL TRANSFER DATE AND ANYTIME THEREAFTER, THE ASSOCIATION SHALL INDEMNIFY AND HOLD THE DECLARANT HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS OR DAMAGES OF EVERY KIND ARISING OUT OF THE DEVELOPMENT OF THE PROPERTY AND THE OPERATION OF THE ASSOCIATION.

Prior to the Control Transfer Date: (i) the Declarant shall manage the Association; and (ii) the Association shall reimburse the Declarant for any expenses incurred in such management.

3.5 Member Rights in Association. No Member shall have any direct interest in the funds and assets of the Association, but shall have only a membership interest therein which shall not be assigned, hypothecated or transferred in any manner except as an appurtenance to the Owner's interest in the Owner's Tract. Membership in the Association shall be mandatory.

#### **ARTICLE IV. PROPERTY RIGHTS: RIGHTS OF ENJOYMENT**

4.1 Each Member shall be entitled to the use and enjoyment of the Common Facilities as depicted on the Subdivision Plat of Pradera Escondida Ranch and/or as defined in the Declaration, subject, however, to the provisions of the Declaration and to the terms of these Bylaws.

#### **ARTICLE V. MEETINGS OF MEMBERS**

5.1 Annual Meetings. The first annual meeting of the Members shall be held after the conversion of Class B Membership, and each subsequent regular annual meeting of the Members shall be held on the third Tuesday in March of each year thereafter, at the hour of 7:00 p.m., or at

such other reasonable time and place as may be designated by the Board of Directors, but not more than sixty (60) days before or after such date. Written notice of the date, time and place of the Annual Meeting must be mailed to the Members at least ten (10) days prior to the annual meeting in accordance with Section 5.3 below. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

5.2 Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of the Members who are entitled to cast one-fourth (1/4) of all the votes of the entire membership.

5.3 Place of Meetings. While Class B Membership exists: (a) meetings of the Board shall be held at the principal office of the Association or at such other suitable place within Texas that is convenient to the Board; and (b) meetings of the Members shall be held at a suitable place within Comal County, Texas or an adjacent county that is convenient to the Members as may be designated by the Board from time to time. After Class B Membership ceases, meetings of Members and the Board shall be held at the principal office of the Association or at such other suitable place within Comal County, Texas or an adjacent county that is convenient to the Members as may be designated by the Board from time to time.

5.4 Notice of Meetings. Except as otherwise provided in the Certificate of Formation or these Bylaws, written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least ten (10) days, but not more than thirty (30) days, before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such a notice shall specify the place, day and hour of the meeting and, in the case of a special meeting, the purpose of the meeting.

Notice to a Member by e-mail or facsimile must be sent to the e-mail address or facsimile number provided to the Association in writing by that Member. If e-mailed, the notice of meeting shall be deemed to be delivered as of the date and time the e-mail was sent. 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.

Notice to a Member by mail shall be sent to the address of the Member's Tract in the Property, unless the Member has provided another mailing address to the Association in writing. If mailed, the notice of meeting shall be deemed delivered as of the date it is deposited in the United States mail. One (1) notice, addressed to multiple Members at the same address, shall suffice if more than one (1) Member resides at or occupies any address.

For any given meeting, the Association may use any combination of the alternative methods for providing notice to the Members.

For the purpose of determining the Members who shall receive notice of a meeting, the Members of the Association shall be determined on the date the notice of meeting is first given.

In the case of a special meeting or when required by statute or these Bylaws, the purpose(s) for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

5.5 Waiver of Notice. Waiver of notice of a meeting of the Association shall be deemed the equivalent of proper notice. Either before or after such meeting, any Member may, in writing, waive notice of any meeting of the Association. 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 of the meeting, unless such Member specifically objects to lack of proper notice in writing before the time the meeting is called to order. Additionally, casting a vote by a Member on any issue to be voted upon at the meeting by any technological means authorized in these Bylaws shall be deemed a waiver by such Member of notice of the meeting. Attendance at a special meeting shall also be deemed a 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.

5.6 Quorum. The presence at the meeting of Members entitled to cast, and/or of proxies entitled to cast, ten percent (10%) of the votes of each class of Membership shall constitute a quorum for any action except as otherwise provided in the Certificate of Formation, the Declaration or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid, shall be present or be represented.

5.7 Proxies. 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. Every proxy shall be revocable and shall automatically cease upon cessation of membership, restriction of the Member's voting rights or conveyance by the Member of the Member's Tract.

All proxies shall be in writing and filed with the Secretary: (i) before the appointed time of each meeting; or (ii) by any earlier date or time specified in the notice of meeting. Proxies submitted by facsimile or any other method provided for by these Bylaws shall be valid.

Proxies not delivered prior to the start of any meeting or by any earlier date or time specified in the notice of meeting shall not be valid. 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 months from the date of the proxy. If a Member executes more than one (1) proxy, only the proxy with the most current date shall be valid.

5.8 Canvass in Lieu of Meeting. In the event that a quorum of Members is not achieved at any scheduled meeting, the Board of Directors may authorize a door-to-door canvass of all Members, whose votes shall be duly recorded; and any action taken shall have the same force and effect as if taken at a meeting at which a quorum of Members was present. Any such canvass must be completed within thirty (30) days of the Board's decree.

5.9 Majority Vote; Withdrawal of Quorum. When a quorum is present at any meeting of the Members, a majority of the votes, present in person or represented by proxy, shall decide any question brought before such meeting; unless the question is one upon which by express provision of the statutes & the Declaration, the Certificate of Formation or these Bylaws, a different vote is required, in which case such express provision shall govern and control the deciding of such question. 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.

5.10 Adjournment of Meetings. If any meeting of the Association 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 later time. At the reconvened meeting, if a quorum is present, either in person or by proxy, 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 technological 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 technological 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 the Member's vote by attending the reconvened meeting in person, submitting a proxy at the reconvened meeting that either directs or authorizes the proxy holder to vote in a different manner, or changing the Member's vote by any technological 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.

5.11 Alternative Means of Voting. To the extent permitted by law, a Member may vote on any question to be voted upon by the Members via absentee ballot, which is delivered to the Association by mail, facsimile or electronic communication over the internet or the Association network. To be valid, any vote cast by a Member by mail, fax or electronic communication must be received by the Association by: (i) midnight of the day before the date of the scheduled meeting; or (ii) any earlier date or time specified in the notice of meeting.

The mechanism for voting by electronic communication must provide a sufficient method of identifying the Member and verifying the Member's vote. Any requirement for a signature on any such absentee ballot, which is imposed by the Certificate of Formation, the Declaration, the

Bylaws, any regulation or resolution imposed by the Board, or any applicable law, shall be satisfied by a digital signature.

5.12 Action Without a Meeting. Any action required by law to be taken at a meeting of the Association or any action that may be taken at a meeting of the Association, may be taken without a meeting if written consent setting forth the action so taken is signed by Members holding the number of votes necessary to pass a proposition concerning the subject matter thereof, and any such consent shall have the same force and effect as a unanimous vote of the Members.

## **ARTICLE VI. BOARD OF DIRECTORS: SELECTION, TERM OF OFFICE**

6.1 Number. Subject to the provisions of Section 6.2 below, the affairs of the Association shall be managed by a Board of not less than three (3) nor more than seven (7) Directors. Each Director shall be entitled to one (1) vote. While Class B Membership exists, Directors need not be Members of the Association. After Class B Membership ceases, each Director shall be a Member. After Class B Membership ceases, the number of Directors may be changed by an amendment of the Bylaws of the Association. Until the election of Directors at the first annual meeting of the Members, the three (3) initial Directors shall so serve.

6.2 Election and Term of Office. During the existence of Class B Membership, the Declarant shall appoint the directors. At the first annual meeting of Members after the Control Transfer Date has passed, the Members of the Association will elect new directors. At the first annual meeting of the Members after the existence of Control Transfer Date, one director shall be elected to a term of two (2) years, one director for a term of three (3) years, and one director for a term of four (4) years. Not more than two (2) additional Directors may be elected by the Members at the first annual meeting of the Members, one for a term of one (1) year and one for a term of two (2) years. Thereafter the Directors shall be elected by the Members at the annual meeting for a term of not more than three (3) years to fill any expiring, vacant or new terms. In the event the number of Directors should be increased above three (3), the additional Directors likewise shall have staggered terms, so that no more than two (2) of the Directors' terms shall expire in any one year if there are 3, 4, 5 or 6 Directors and no more than three (3) of the Directors' terms shall expire in any one year if there are 7 Directors.

After the existence of Control Transfer Date, election to the Board shall be by secret written ballot. Voting for directors shall take place at the first annual meeting of the Members and/or by votes delivered to the Secretary by mail, electronic communication, or facsimile before the appointed time of the annual meeting or by any earlier date or time specified in the notice of meeting. The Board may determine the method of voting and include said method in the notice of meeting for the annual meeting. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of

Section 2 of Article IV of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

6.3 Nomination. After Class B Membership ceases, nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations also may be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a Member of the Board of Directors, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or non-members.

6.4 Vacancy and Removal. While Class B Membership exists, any vacancy created during the term of a Board member may be filled by Declarant. After Class B Membership has ceased, any vacancy created during the term of a Board member may be filled by the remaining directors. While Class B Membership exists, any director may be removed, with or without cause, by the Declarant. After Class B Membership ceases, any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation or removal of a Director, his successor shall be selected by the remaining Members of the Board and shall serve for the unexpired terms of his predecessor. In the event of the death, resignation or removal of all of the Directors, the Members shall elect new Directors in accordance with the procedure set forth in Section 6.2 above.

6.5 Compensation. No Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties.

## **ARTICLE VII. MEETINGS OF DIRECTORS**

7.1 Regular Meetings. After Class B Membership ceases, regular meetings of the Board of Directors shall be held annually without notice, at such place and hour as may be fixed from time to time by resolution of the Board, but Members other than directors may not participate in any discussion or deliberation unless permission to speak is requested on the Member's behalf by a director. In such case, the President may limit the time any Member may speak. Notwithstanding the above, the President may adjourn any meeting of the Board and reconvene in executive session, excluding Members, to discuss or vote on matters of a sensitive nature, including but not limited to pending or threatened litigation and personnel matters. Should said meeting fall upon a legal holiday that meeting shall be held at the same time on the next day which is not a legal holiday.

7.2 Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two Directors, after not less than three (3) days notice to each Director, given personally, by U.S. mail, by telephone, by facsimile or by other generally used and accepted electronic means. Such notice shall state the time, place and purpose of the meeting.

7.3 Quorum. A majority of the number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

7.4 Waiver of Notice. Before or at any meeting of the Board of Directors, 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 time and place thereof. If all the Directors are present at any meeting of the Directors, no notice shall be required and any business may be transacted at such meeting.

7.5 Action Taken Without a Meeting. In the absence of a meeting the Directors shall have the right to take any action which they could take at a meeting, by obtaining the written approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

7.6 Executive Session. The Board may close a portion of its meeting for the purpose of discussing items that require confidentiality, matters involving the personal accounts of Owners, matters currently in litigation and other matters that the Board, in its sole discretion, considers to be of a sensitive nature.

## **ARTICLE VIII. POWERS AND DUTIES OF THE BOARD OF DIRECTORS**

8.1 Powers. The Board of Directors shall have the power:

(a) To administer and enforce the covenants, conditions, restrictions, uses, limitations, obligations, and all other provisions set forth in the Declaration;

(b) To adopt and publish rules and regulations governing the use of the Common Facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(c) To suspend the voting rights and right to use all or any part of the Common Facilities of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights also may be suspended, after notice and hearing, for a period not to exceed sixty (60) days for infraction of published



rules and regulations established by the Board of Directors governing the use of the Common Facilities or for violation of any provision of the Declaration or these Bylaws:

(d) To exercise for the Association all power, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws and/or the Certificate of Formation;

(e) To declare the office of a Member of the Board of Directors to be vacant in the event such Member should be absent from three (3) consecutive regular meetings of the Board of Directors without just cause having been furnished to and accepted by the Board;

(f) To establish, and disburse and maintain such petty cash fund as necessary for efficiently carrying on the business of the Association;

(g) To enter into contracts with independent contractors and/or municipalities for police or security protection, fire protections, landscaping services, and sanitary services such as garbage collection;

(h) To enter into agreements and/or contracts with any other owners of any of the lands (herein called the "Additional Acreage") described in paragraphs 2 and 3 of the Recitations contained in the Declaration of Covenants, Conditions, Easements and Restrictions for Planned Land Development of Pradera Escondida Ranch recorded under Volume \_\_\_\_\_ of Page \_\_\_\_\_ of the Real Property Records of Comal County, Texas, and/or with the board of directors of any other owners' associations which are charged with the responsibility of maintaining private streets and/or other Common Elements located within any part of the Additional Acreage, in order to more efficiently and economically maintain the private streets and/or other Common Elements, including, but not limited to, the power to merge the Association with one or more other such owners' associations;

(i) To engage the services of a manager, an independent contractor, or such employees as it deems necessary, and to prescribe the conditions, compensation and duties of their work. Such power shall include authority to enter into management agreements with other parties to manage, operate or perform all or any part of the affairs and business of the Association;

(j) To cause audited or unaudited reports of the business affairs of the Association to be prepared from time to time; and

(k) To foreclose its lien as created by Article VI of the Declaration against any Tract for which assessments are not paid within thirty (30) days after the due date or to bring an action at law against the Owner personally obligated to pay the same.

8.2 Duties. It shall be the duty of the Board of Directors:

(a) To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members or at any special meeting, when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;

(b) To supervise all officers, agents and employees of this Association and to see that their duties are properly performed;

(c) To establish membership fees or assessments;

(d) To procure and maintain adequate hazard insurance covering properties owned the Association; general liability insurance covering the Association with coverage of not less than \$1,000,000.00; and directors and officers liability insurance with coverage of not less than \$1,000,000.00;

(e) To cause all officers, employees or agents, having fiscal responsibility to be bonded, as it may deem appropriate;

(f) To Cause the Common Facilities to be maintained;

(g) As more fully provided in the Declaration to:

(1) fix the amount of the annual assessment against each Tract at least twenty-one (21) days in advance of each annual assessment period; and

(2) send written notice of each assessment to every Owner subject thereto at least twenty-one (21) days in advance of each annual assessment period.

(h) To issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. (A reasonable charge may be made by the Board of Directors for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment);

(i) To cause to be implemented any covenants, duties or responsibilities of the Association as may be set forth in any agreements or other contracts as described in Section 8.1(h) above pertaining to the maintenance of the private streets and/or other Common Facilities located within the P.L.D. of Pradera Escondida Ranch and/or located within any of the other Additional Acreage.

(j) To exercise other rights and duties set forth herein or in the Certificate of Formation or in the Declaration or by law.

8.3 Management. The Board may employ for the Association a professional

management agent or agents at a compensation established by the Board to perform such duties and services as the Board shall authorize.

## **ARTICLE IX. OFFICERS AND THEIR DUTIES**

9.1 Enumeration of Officers. The officers of this Association shall be a President, a Vice-President, a Secretary, and a Treasurer, and such other officers as the Board may create by resolution from time to time, all of whom shall at all times be Members of the Board of Directors.

9.2 Election of Officers. The Board of Directors shall elect its officers at its organizational meeting. After Class B Membership ceases, the Board shall elect officers at the first meeting of the Board of Directors following each annual meeting of the Members.

9.3. Term. The officers of the Association shall be elected annually by the Board and shall hold office for one (1) year unless he should sooner resign, or should be removed or otherwise should be disqualified to serve.

9.4 Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may determine from time to time.

9.5 Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving 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. The acceptance of such resignation shall not be necessary to make it effective.

9.6 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer elected to such vacancy shall serve for the remainder of the term of the officer he replaces.

9.7 Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices, except in the case of special offices created, pursuant to Section 9.4 of this Article.

9.8 Duties. The duties of the officers are as follows:

(a) President. The President shall preside at all meetings of the Board of Directors and of the Members; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgagees, deeds, and other written instruments and shall co-sign all checks and promissory notes, except as may be otherwise approved by the Board of Directors.

(b) Vice-President. The Vice-President shall act in the place and stead of the President in the event of his absence, inability or refusal to act and shall exercise and discharge such other duties as may be required of him by the Board.

(c) Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members or cause the same to be done; keep the corporate seal, if any, of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members, or cause the same to be done; keep appropriate current records showing the Members of the Association together with their addresses or cause the same to be done, and shall perform such other duties as required by the Board.

(d) Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors or cause the same to be done; shall co-sign all checks and promissory notes of the Association; keep proper books of account or cause the same to be done; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting and deliver a copy of each to the Members or cause the same to be done.

## **ARTICLE X. COMMITTEES**

10.1 The Board of Directors may appoint committees as deemed appropriate in carrying out its purposes, which may include for example, but not by way of mandate or limitation, the following:

(a) A Nominating Committee as described in Article VI, Section 6.3 hereof.

(b) A Recreation Committee to advise the Board of Directors on all matters pertaining to the recreational program and activities of the Association and to perform other such functions as the Board in its discretion determines;

(c) A Maintenance Committee to advise the Board of Directors on all matters pertaining to the maintenance, repair or improvement of Common Facilities, if any, and to perform such other functions as the Board in its discretion determines;

(d) A Publicity Committee to inform the Members of all activities and functions of the Association and, after consulting with the Board of Directors, to make such public releases and announcements as are in the best interest of the Association, and

(e) An Audit Committee to supervise the annual audit of the Association's books and approve the annual budget and statement of income and expenditures to be presented

to the membership at its regular annual meeting, as provided in Article IX, Section 9.8(d) above. The Treasurer shall be an ex-officio member of this committee when formed.

10.2 It shall be a function of each committee to receive complaints from Members on any matter involving Association duties and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate or refer them to such other committee, Director or officer of the Association as is further concerned with the matter presented.

## **ARTICLE XI. INDEMNITY**

11.1 Indemnification. The Association shall indemnify any person (and the heirs, executors, administrators, personal representatives, successors and assigns of each person) who is or was or has been a member of the Master Design Committee (herein called "Member of the M.D.C.") created in Article VII of the Declaration or by action of the Board of Directors or who is or was or has been a Director, officer, manager or employee of the Association or of any other corporation which he served as such at the request of the Association and of which the Association directly or indirectly is a shareholder or creditor, or in which it is in any way interested, against any and all liabilities, costs and expenses including, but not limited to, counsel fees, that may be incurred by him in connection with or resulting from any claim, action, suit or other proceeding (whether brought by or in the right of the Association or otherwise), civil or criminal, or in connection with an appeal relating thereto, in which he may become involved as a party or otherwise by reason of being or having been such a Member of the M.D.C., a Director, officer, manager or employee (whether or not a Director, officer, manager or employee at the time such liability and expense may be incurred) except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for or guilty of negligence or misconduct in the performance of his duty. The Association may also reimburse to any such Member of the M.D.C., Director, officer, manager or employee the reasonable costs of settlement, including reasonable expenses, of any such action, suit or proceeding, if it shall be found by a majority of a committee of Directors composed of all of the Directors not involved in the matter in controversy, whether or not a quorum, that it is to the best interest of the Association that such settlement be made and that such Member of the M.D.C., Director, officer, manager or employee was not guilty of gross negligence or willful misconduct. This indemnification shall be to the fullest extent permitted by law, as it exists on the date of formation of the Association. The Association shall be entitled to obtain insurance to cover the Association's obligation of indemnification.

11.2 Indemnification Not Exclusive. The rights of indemnification and reimbursement provided for in Section 11.1 of this Article shall not be deemed exclusive of any other rights to which such Member of the M.D.C., Director, officer or employee may be entitled under any Bylaws, agreement, vote of Members, or as a matter of law or otherwise.

11.3 Nothing in this Article XI shall obligate the Association to indemnify any Member who is or has been a Director, officer, manager or employee for any duties or

obligations assumed or liabilities incurred by such Member simply by virtue of his becoming a Member pursuant to the terms of the Declaration.

11.4 Liability Insurance. The Association shall purchase and at all times maintain in force and effect a policy or policies of commercial general liability insurance specifically against, but not limited to, any liability arising out of the construction, management, maintenance and/or ownership of any of the Common Facilities (as that term is defined in the Declaration) with coverages of not less than \$1,000,000.00 per occurrence, not less than \$2,000,000.00 for general aggregate, and umbrella coverage of not less than \$1,000,000.00.

The policies shall be procured from an insurance company licensed in Texas, shall have a Best's rating of not less than B+ (or a rating equivalent to that made by another rating source) and will contain a waiver of subrogation against the Association and the Additional Insureds. The Additional Insureds shall be the following:

- (1) all officers, directors and employees of the Association.
- (2) any Members acting on behalf of the Association.
- (3) the Declarant (as that term is defined in the Declaration), its directors and officers, and
- (4) the Members of the M.D.C.

The policies shall require the insurance company to give any Additional Insureds for which they have been provided names and mailing addresses a thirty (30) day advance notice of cancellations, amendments, non-renewals, and also notice of any possible damage claims which might cause a reduction below seventy-five percent (75%) of the annual aggregate limits of the policy.

## **ARTICLE XII. ASSESSMENTS**

12.1 Creation of the Lien and Personal Obligation of Assessments. By the Declaration each Member is deemed to covenant and agree to pay to the Association: (1) annual assessment charges, and (2) special assessments for capital improvements. The annual and special assessments, together with such interest thereon and costs of collection thereof shall be a charge on the land and shall be a continuing lien upon the Tract against which each such assessment is made. Each such assessment, together with such interest, cost of collection and reasonable attorney's fees as provided in the Declaration also shall be the personal obligation of the person who was the Owner of such Tract at the time when the obligation accrued and shall not pass to his successors in title unless expressly assumed by them.

12.2 Purpose of Assessments. The assessments levied by the Association shall be used for the purpose of promoting the recreation, health, safety and welfare of the Members, and for the improvement, maintenance and operation of the Common Facilities and providing services related to the use and enjoyment of the Properties by the Members.

12.3 Basis and Maximum of Annual Assessments for Class A Members. Until December 31, 2022, the maximum annual assessment shall be \$2,000.00 for improved Tracts (as defined in the Declaration) and \$1,500.00 for unimproved Tracts (as defined in the Declaration).

(a) From and after December 31, 2022, the maximum annual assessment may not be increased by more than twenty-five percent (25%) above that of the previous year without a vote of the membership.

(b) From and after December 31, 2022, the maximum annual assessment may be increased by more than the twenty-five percent (25%) above that of the previous year in accordance with the provisions of Sections 4 and 5 of Article VI of the Declaration.

12.4 Assessments to be Levied by Board. After consideration of current costs of maintenance and operation and anticipated needs of the Association during the year for which the assessment is being made, the Board of Directors may levy the annual assessments at an amount not in excess of the maximum set forth in Section 12.3.

12.5 Special Assessments for Working Capital Fund, Wildlife Management Plan Administration, Nonrecurring Maintenance and Capital Improvements. In addition to the annual assessments authorized above, the Association may levy special assessments as follows:

(a) In any assessment year, a Special Assessment may be levied on improved Tracts (as defined in Section 4 of Article VI of the Declaration) only, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any nonrecurring maintenance, or the acquisition, construction, reconstruction, repair or replacement of a capital improvement on or which is a part of the Common Facilities, including fixtures and personal property related thereto, in accordance with the terms of Article VI of the Declaration and the provisions of these Bylaws. The Association shall not commingle the proceeds of such Special Assessments with the maintenance funds. Such proceeds shall be used solely and exclusively to fund the nonrecurring maintenance or improvements in question.

(b) The Board of Directors shall determine the necessity and the amount of any Special Assessment. Special Assessments shall not be effective unless approved by two-thirds (2/3) of the votes of the Members who are Owners of improved Tracts and who are voting in person or by proxy at a meeting duly called for the purpose of approving the Special Assessments and conducting other business, if any. Written notice of such meeting shall have been sent to all Members who are Owners of improved Tracts at least thirty (30) days in advance of the meeting and shall have set forth the purpose of the meeting.

12.6 Assessments for Entry Gate.

(a) By the time the 3rd tract is occupied by a resident in the P.L.D. of Pradera Escondida Ranch, a controlled access gate will be installed by the Association located at the front gate on Ammann road.

(b) Notwithstanding anything to the contrary contained in these Bylaws, if the Board of Directors determines that it is in the best interests of the P.L.D. and the Owners to do so, the Board of Directors and/or the Officers of the Association, are authorized to hire (or to direct the Manager of the Association to hire) a full-time, or part time, gate attendant or sentry (or attendants or sentries, according to the particular circumstances) for the time periods the Board of Directors and/or Officers of the Association, in their sole judgment so determine; and the Board of Directors is authorized to increase the Association's assessments in an amount appropriate to cover the cost of such attendants or sentries.

12.7 Uniform Rate. Except for the difference in assessments to improved and unimproved Tracts as set forth in Section 3 of Article VI of the Declaration, both annual and Special Assessments must be fixed at a uniform rate for all single family Tracts and may be collected on a monthly, quarterly or annual basis.

12.8 Quorum for any Action Authorized under Sections 12.3 and 12.5. At any meeting called, for the purposes set forth in Sections 12.3(b) and 12.5 hereof, the presence at the meeting of Members, or of proxies entitled to cast, sixty percent (60%) of all the votes of each class of Membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirements set forth in Sections 12.3(b) and 12.5(b), and in Sections 4 and 5 of the Declaration, however, the quorum requirement shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than forty-five (45) days following the preceding meeting. The necessary approval may also be obtained by a canvass of the Members as set forth in Article V, Section 5.6 hereof.

12.9 Date of Commencement of Annual Assessments: Due Dates. The annual assessments provided for herein shall commence as to all Tracts of the P.L.D. no sooner than the first day of January, 2022. The annual assessments provided for herein shall commence as to all Tracts in subsequent Units as of the first day of the first month following the Closing of the first sale in such Unit from the Developer to a third-party. The Board of Directors shall fix the amount of the annual assessment against each Tract at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall upon demand at any time furnish to any Owner liable for said assessment a certificate in writing signed by an officer of the Association, setting forth whether the assessments on a specified Tract have been paid. A reasonable charge may be made by the Board of Directors for the issuance of these certificates. Such certificates shall be conclusive evidence of payment of any assessment therein stated to have been paid.



12.10 Effect of Non-payment of Assessments: Remedies of the Association. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the Association shall have the authority to impose late charges to compensate for the administrative and processing costs of late payments and the assessment shall bear interest from the date of delinquency at the highest lawful rate of interest permitted in the State of Texas during the period of delinquency, or at such lesser rate as may be set by the Board of Directors from time to time, and the Association may bring an action at law or in equity against the Owner personally obligated to pay the same or foreclose the lien against the Tract, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. The Association or its agents shall have the right and power to bring all actions against such owner personally for the collection of such charges as a debt and to enforce the aforesaid lien by all methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association in like manner as a mortgage or deed of trust lien on real property. The lien provided for in this section shall be in favor of the Association and shall be for the benefit of all other owners. The Association acting on behalf of the owners shall have the power to bid in an interest foreclosed at foreclosure sale and to acquire and hold, lease, mortgage and convey the same; and to subrogate so much of its right to such liens as may be necessary or expedient to an insurance company continuing to give total coverage notwithstanding non-payment of such defaulting Owner's portion of the premium. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Facilities, Private Streets or abandonment of his Tract.

12.11 Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any mortgage or mortgages granted or created by the Owner of any Tract to secure the payment of monies advanced and used for the purpose of purchasing and/or improving such Tract; provided, however, that such subordination shall apply only to the assessments which have become due and payable prior to the sale or transfer of such Tract pursuant to a decree of foreclosure, or any other proceeding in lieu of foreclosure. Such sale or transfer shall not relieve the mortgagor from personal liability for payment of such delinquent assessment and additional charges as provided herein above. Such sale or transfer shall not relieve the new Owner of such Tract from liability for any assessments becoming due after such foreclosure sale or sale in lieu of foreclosure, nor from the lien of any such subsequent assessment.

### **ARTICLE XIII. BOOKS AND RECORDS**

The books, records and papers of the Association shall be subject to inspection by any Member from 9:00 a.m. to 12:00 noon and from 1:00 p.m. to 5:00 p.m. on all regular business days. The Certificate of Formation and the Bylaws of the Association shall be available for inspection by any Members at the principal office of the Association, where copies may be purchased at reasonable cost.

**ARTICLE XIV.  
CORPORATE SEAL**

The Board of Directors may authorize the Association to have a seal in circular form having within its circumference the words: "Pradera Escondida Ranch Homeowners' Association, Inc.", but is not required to do so.

**ARTICLE XV.  
FISCAL YEAR**

The Fiscal Year of the Association shall begin on the first day of January and end on the 31<sup>st</sup> day of December of every year, except that the first fiscal year shall begin on the date of formation.

**ARTICLE XVI.  
AMENDMENTS**

16.1 While Class B Membership exists, these Bylaws may be amended by a majority of the Board. After Class B Membership ceases, these Bylaws may be amended, at a regular or special meeting of the Members, by a majority of the votes of the Members making up a quorum of Members present in person or by proxy, provided that, if any Tract is encumbered by a mortgage loan insured by FHA or guaranteed by VA, any such amendment may be subject to approval by such agencies.

16.2 In case of any conflict between the Certificate of Formation and these Bylaws, the Articles shall control. In case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

**ARTICLE XVII.  
ENFORCEMENT**

In the event that the Association institutes legal action to enforce any restrictive covenants or other condition of the Declaration, Certificate of Formation or Bylaws, and the violator voluntarily corrects or abates such violation after litigation has been filed, the Association shall not dismiss or abandon such legal action until it has been reimbursed all of its expenses, including reasonable attorney's fees and court costs.

**ARTICLE XVIII.  
MISCELLANEOUS**

18.1 Gender and Grammar. The singular wherever used herein shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the

provision hereof apply either to corporations or individuals, men or women, shall be assumed in all cases as though fully expressed in each such case.

18.2 Alternative Dispute Resolution. It is the policy of the State of Texas to encourage the peaceable resolution of disputes through alternative dispute resolution procedures. Therefore, if a dispute arises in relation to the construction of the Declaration, the Certificate of Formation, these Bylaws or actions of the Board of Directors, its officers, agents, or committees, or actions of the Master Design Committee or its members which cannot be resolved in good faith through informal discussion, the parties agree to submit the dispute to mediation or some other mutually agreeable alternative dispute resolution process.

18.3 Parliamentary Rules. Except as may be modified by Board resolution, *Robert's Rules of Order* (current edition) govern the conduct of the Association's proceedings except when they are inconsistent with Texas law, these Bylaws, or the Certificate of Formation.

18.4 Conflicts. If there are conflicts between any provision of Texas law, the Declaration, the Certificate of Formation, and these Bylaws, then the provision(s) of Texas law, the Declaration, the Certificate of Formation, and these Bylaws (in that order) shall prevail.

18.5 Owner Conflicts. An Owner may not participate in any Association meeting or activity if the Owner is involved in litigation with the Association as to a conflict of interpretation of the Declaration, the Certificate of Formation, rules and regulations promulgated by the Association, or these Bylaws and/or as to the amount of delinquent assessments.

18.6 Business Judgment Rule. Any act or thing done by any director, officer or committee member taken in furtherance of the purposes of the Association, and accomplished in conformity with the procedures set forth in the Certificate of Formation, the Declaration, 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 Association.

18.7 Books and Records.

a. Inspection by Members and Mortgagees. Upon written demand stating the purpose of the demand, the Declaration, Bylaws, and Certificate of Formation (and any amendments and supplements to the foregoing), the rules and regulations of the Association, the membership register, books of account, and the minutes of meetings of the Members, the Board

and Committees (collectively, the “**Association Records**”) shall be made available for inspection and copying by any holder, insurer or guarantor of a first mortgage on a Tract, Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a proper purpose during normal business hours at the office of the Association or at such other place within the Property as the Board shall prescribe, by appointment. Nonetheless, information regarding delinquent Assessments shall not be made available for inspection and/or copying due to privacy concerns.

b. Rules for Inspection. The Board may establish reasonable rules with respect to:

- (i) notice to be given to the custodian of Association Records;
- (ii) privacy concerns that arise;
- (iii) hours and days of the week when such an inspection may be made by appointment for a proper purpose; and
- (iv) payment for the cost of copies of the Association Records.

c. Inspection by Directors. Each director shall have the absolute right at any reasonable time to inspect all of the Association Records and the physical property owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant Association Records at the expense of the Association.

18.8 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 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 Tract of such Member; or
- b. if to the Association, the Board, or the managing agent, at the principal office of the Association 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.

**If Member does not reside on his or her Tract, then he or she shall notify the Association in writing of his or her address at which to send notices within seven (7) days of purchase of the Tract or within seven (7) days of moving from the Tract. A Member’s failure to do so will result in all notices being sent to the address of the Tract, and the Member will be deemed to have received all notices that were mailed to the address of the Tract.**

18.9. Indemnity. To the fullest extent permitted by applicable law, Association 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 Association 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 ASSOCIATION 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 Association in writing of any action, administrative or legal proceeding or investigation as to which indemnification may apply, and Association, at Association’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 Association to fully perform its obligations in accordance with this Section, Indemnitees, at their option, and without relieving Association of its obligations hereunder, may so perform, but all costs and expenses so incurred by Indemnitees in that event shall be reimbursed by the Association to Indemnitees, together with interest, on the same from the date any such expense was paid by Indemnitees until reimbursed by the Association, 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 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.

18.10 Dissolution/Winding Up Termination. The Association may be wound-up/dissolved pursuant to the Texas Business Organizations Code, or any successor statute. If the


Association is wound-up or dissolved, the assets shall be dedicated to a public body or conveyed to a non-profit corporation with purposes similar to those of the Association.

**IN WITNESS WHEREOF**, we, being all the Directors of the Pradera Escondida Ranch Homeowners' Association, Inc., have hereunto set our hands as of the 24<sup>th</sup> day of MAY 2021.



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Kelly L. Knight



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Angela Turner



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David Musch

**CERTIFICATION**

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of the Pradera Escondida Ranch Homeowner's Association, Inc., a Texas non-profit corporation;

That the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the Board of Directors where a quorum was present held on the 24<sup>th</sup> day of May, 2021.

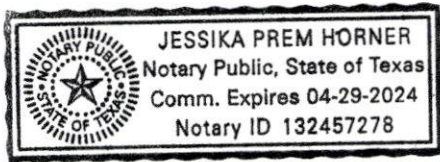
IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this the 7<sup>th</sup> day of July, 2021.


  
\_\_\_\_\_  
Kelly L. Knight, Secretary

STATE OF TEXAS           §  
  §  
COUNTY OF Kendall   §

BEFORE ME, on this day personally appeared Kelly L. Knight, Secretary of Pradera Escondida Ranch Homeowner's Association, Inc., known by me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that she executed the same for the purposes and consideration therein expressed and in the capacity therein and herein stated, and as the act and deed of said corporation.

Given under my hand and seal of office, this 7<sup>th</sup> day of July, 2021.



  
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Notary Public in and for the  
State of Texas

Filed and Recorded  
Official Public Records  
Bobbie Koepf, County Clerk  
Comal County, Texas  
07/15/2021 03:08:43 PM  
JESSICA 23 Page(s)  
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Bylaws  
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23 Pradera Escondida Ranch Homeowners' Association, Inc.

 Bobbie Koepf