

BYLAWS

**BYLAWS
OF
THE SHOPS AT PRESTONWOOD
HOMEOWNERS ASSOCIATION, INC.
(A Texas Non-Profit Corporation)**

**ARTICLE I
NAME**

1.1 NAME. The name of the organization shall be The Shops at Prestonwood Homeowners Association, Inc., hereinafter called the "Association."

**ARTICLE II
ORGANIZATION AND PURPOSES**

2.1 ORGANIZATION. The Association is organized and shall be operated exclusively as a homeowners association within the meaning of Section 528 of the Internal Revenue Code of 1986, as amended, or the corresponding provision or provisions of any subsequent United States Internal Revenue Code of 1986, as amended, or the corresponding provision or provisions of any subsequent United States Internal Revenue law or laws. The Association is formed in connection with the development of and sale of townhomes constructed on the real property in Denton County, Texas described in Exhibit "A" to the Declaration referenced in Section 2.2 below.

2.2 PURPOSES. The primary purposes for which the Association is formed are (a) to construct and maintain in a good and neat condition, and replace as necessary, the Common Areas (as defined in the Declaration) of the Association, (b) to maintain other common areas, if any, of the Association, and (c) to the extent permitted by applicable law, to have the power to provide architectural control and compliance with the covenants, conditions and restrictions of the Declaration of Covenants, Conditions and Restrictions for The Shops at Prestonwood, dated as of even date herewith, executed by The Shops at Prestonwood, · LP, a Texas limited partnership ("Declarant"), recorded or to be recorded in the Real Property Records of Denton County, Texas, covering the Property (the "Declaration").

2.3 ASSOCIATION OBLIGATIONS. The Association, its Board of Directors, its officers, and Architectural Control Committee shall never be under any obligation to provide architectural control or enforce the covenants, conditions or restrictions of the Declaration, and any failure to so provide or enforce shall never give rise to any liability on the part of the Association, its Board of Directors, its officers, or Architectural Control Committee.

2.4 MEMBER/USER OBLIGATIONS. All present or future Members of the Association and all tenants of any such Members, shall be subject to the regulations set forth in these Bylaws, and the policies and regulations established by the Board of Directors.

**ARTICLE III
DEFINITIONS AND TERMS**

DEFINITIONS. Capitalized terms used in these Bylaws and not defined elsewhere herein shall have the meaning assigned to them below:

- a) "Articles" shall mean the Certificate of Formation of the Association as the same may from time to time be duly amended.
- b) "Assessments" shall mean Regular Assessments and Special Assessment as defined below:

- (i) "Regular Assessment" shall mean the amount assessed to and required to be paid by each Owner to the Association for that Owner's portion of the Common Expenses in accordance with these Bylaws and the Declaration.
- (ii) "Special Assessment" shall have the meaning assigned in Section 5.3 below.
- c) "Association Budget" shall mean the Homeowners Association Cash Flow Projection to be prepared and approved by the Board of Directors.
- d) "Board of Directors" shall mean the Board of Directors of the Association.
- e) "Common Areas" shall mean and refer to the sum of (a) the Common Areas as may be described in the Final Plat and (b) (i) the Amenity Center and pool, (ii) detention pond, (iii) park and walking paths, (iv) screening fence, (v) exteriors of the townhomes, (vi) entry improvements, (vii) the landscaping improvements, (viii) any other areas or improvements designated as "Common Areas" by the Board, and (ix) any other real property and any other easements, licenses, leaseholds, rights, rights-of-way and other interests in real property, and the improvements thereon, within the Property which have not been separately platted as a Lot on which a Residence will be constructed, or dedicated to the City or another governmental authority. Without limiting the generality of foregoing, Common Areas shall include, for maintenance purposes, yards (mowing, trimming), fences, landscaping, and townhouse exteriors, paths, parking spaces, irrigation, hardscape, signage, and the maintenance of any structures or improvements located in the Common Areas.
- f) "Common Expenses" shall mean any and all expenses incurred or to be incurred by the Association in connection with the ownership, construction, maintenance, preservation and operation of the Common Areas, including the Association's administrative costs incurred in connection therewith, and any other expenses incurred by the Association in the furtherance of its purposes or as prescribed by the Articles, Declaration, and these Bylaws.
- g) "Declarant" shall mean and refer to The Shops at Prestonwood, LP, a Texas limited partnership.
- h) "Landscaping Improvements" shall mean and refer to such landscaping as Declarant or a Builder may install in portions of the Property and convey to the Association or as the Association may install in portions of the Property.
- i) "Lot" shall mean each platted Lot on the Property, which Lots will consist of Urban Townhome lots and Luxury Townhome lots as shown on the plat and more fully described in the Declaration, as same may be amended or supplemented in accordance with the provisions of the Declaration.
- j) "Member" shall mean each person and entity who is a member of the Association as provided for in Article IV hereof.
- k) "Owner" shall mean each record Owner, whether one or more persons or entities, of the fee simple title to a Lot who has acquired title to the Lot.
- l) "Property" shall mean and refer to the Property described by metes and bounds in Exhibit "A" to the Declaration.
- m) "Residence" shall mean any townhome constructed upon a Lot.
- n) "Termination Date" shall have the meaning assigned in Section 4.1(c) below.

**ARTICLE IV
MEMBERSHIP AND VOTING**

4.1 MEMBERSHIP. Membership in the Association shall vest as follows:

- a) Any person on becoming a record Owner after the date of these Bylaws of all or any fee interest in a Residence shall automatically become a Member of the Association and be subject to these Bylaws.

b) An Owner's membership in the Association shall terminate without any formal Association action whenever the Owner ceases to own all or any part of a Lot. Such termination shall not relieve or release the Owner from any liability or obligation incurred in connection with the Association or the Owner's Lot during the period of such ownership and membership in the Association, or impair any rights or remedies which the Board of Directors or others may have against such Owner in connection with such ownership and membership and the covenants and obligations incident thereto. No certificates of stock shall be issued by the Association, but the Board of Directors, if it so elects, may issue one membership card per Lot to the Owner(s) of a Lot. Such membership card shall be surrendered to the Secretary whenever ownership of the Lot designated thereon is terminated.

c) Declarant shall be a Member of the Association until the earlier to occur of (i) January 2016, or (ii) the date Declarant no longer own any portion of the Property described in Exhibit "A" to the Declaration, if applicable. Declarant may assign its membership interest in the Association under this subsection (c) to any purchaser of any portion of the Property by written instrument of assignment duly recorded in the Real Property Records of Denton County, Texas; provided, no such assignment will be made without prior written approval of each Builder who owns one or more Lots in The Shops at Prestonwood. Conveyance of one or more Lots or other property interest by Declarant alone shall not constitute an assignment of Declarant's membership interest under this subsection (c). The Termination Date shall be the date when all Lots have been improved by location thereon of a Residence and every Lot has been conveyed by the Builders to a Member.

4.2 VOTING. Voting by the membership in the Association shall be exercised as follows:

CLASS A MEMBERSHIP: All Members other than the Declarant shall be Class A Members. Class A Members of the Association shall be entitled to one (1) vote for each Lot in which they hold the interest required for membership. When more than one person holds such interest or interests in any Lot, all such persons shall be Members, and the vote for such Lot shall be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any such Lot. Any matter to be decided by a vote of Members at the annual or a special meeting at which is quorum is present shall be decided by a majority (or other required percentage) of the Owners present or represented by proxy.

CLASS B MEMBERSHIP: Declarant shall be the lone Class B Member. Prior to the Termination Date Declarant shall be entitled to cast, on any measure required to be decided by vote of the Members, 1.01 % of the votes entitled to be cast by the Class A Members. Prior to the Termination Date Declarant and the Builders shall be entitled to designate the Directors as more fully provided in Sections 7.4, 7.5, and 7.6 below. On the Termination Date, Declarant's right to designate the Directors shall cease.

4.3 MAJORITY. As used in these Bylaws, a "majority" of the Members shall mean the vote of at least fifty-one percent (51 %) of the votes entitled to be cast by the Members present in person or by proxy at a duly called meeting at which a quorum is present.

4.4 PROXIES. Votes may be cast in person or by proxy. Proxies must be filed with the

4.5 QUORUM. The quorum required for any action to be taken by the Members shall be as follows:

At the first meeting called, the presence at the meeting of Members, or of the proxies, entitled to cast ten percent (10.0%) of the votes of the Association shall constitute a quorum. If the required quorum is not present at the first meeting, one additional meeting may be called, subject to the notice requirement hereinabove set forth, and the required quorum at such second meeting shall be one-half (1/2) of the required quorum at the, preceding meeting; provided, however, that no such second meeting shall be held more than sixty (60) days following the first meeting.

4.6 ASSIGNMENT TO TENANT. Any Owner may assign any or all of his or her rights as a Member, except for voting rights in the Association and any rights held as a Director or officer of the Association, to a tenant who leases the Residence owned by the Owner by executing a written assignment in favor of the tenant and delivering a copy of the executed assignment to the Association. An Owner may not assign his or her voting rights in the Association; additionally, if the Owner is a Director and/or officer of the Association, he or she may not assign any rights or authority held as such Director and/or officer. So long as a tenant holds assigned rights, the tenant may exercise the assigned rights and the Owner may not. Any Owner assigning rights to a tenant hereunder shall be responsible for the consequences of the tenant's exercise of such rights as fully as if exercised by the Owner himself. Each Owner shall remain responsible for paying Assessments levied by the Association regardless of whether any of the Owner's rights have been assigned to a tenant. The Association shall also have the right to enforce the covenants and restrictions against the tenant including removing the tenant from the Property for unacceptable conduct dangerous or detrimental to the community (subject to compliance with then existing law). An Owner may not lease his or her Residence for transient purposes (defined as a lease term of less than 30 days) nor may the Residences be subjected to use for timeshares.

ARTICLE V ASSESSMENTS

5.1 PAYMENT OF ASSESSMENTS. Each Owner shall pay to the Association, at the address and in the manner designated by the Board of Directors, Regular Assessments and Special Assessments, such Assessments to be established and collected as hereinafter provided. Each such Assessment, together with any interest, costs and reasonable attorneys' fees provided for under these Bylaws, shall be the personal obligation of the person who is the Owner of a Lot at the time

the Assessment falls due. The personal obligation for delinquent Assessments shall not pass to a successor in title to such Owner unless expressly assumed by such successor.

5.2 REGULAR ASSESSMENTS. Until adjusted pursuant to the terms of Section 5.8 the Regular Assessments shall initially be \$192.00 per month for Urban Townhomes and \$234.00 per month for Luxury Townhomes, payable in advance on the first day of each month. If the date of commencement of Regular Assessments for an Owner pursuant to Section 5.4 below is other than the payment date set forth in the preceding sentence, the first Regular Assessment owing by such Owner shall be prorated and paid to the Association on such date of commencement. The Regular Assessments may be adjusted as determined by the Board pursuant to the Articles and Bylaws and shall be payable as set forth herein or as otherwise prescribed by the Board. Each Owner shall have the right to prepay, on any regular due date for a Regular Assessment, the Regular Assessments which will come due from such Member during the remainder of the assessment period then fixed by the Board of Directors for Regular Assessments under Section 5.8 below. The Regular Assessments may be adjusted as determined by the Board pursuant to the Declaration and these Bylaws and shall be payable as set forth herein or as otherwise prescribed by the Board.

5.3 SPECIAL ASSESSMENTS. In addition to the Regular Assessments authorized above, the Association may levy at any time, in accordance with, and for the purposes set forth in Section 3.3 of the Declaration.

5.4 COMMENCEMENT OF ASSESSMENTS. The Regular Assessments provided for herein shall commence on the date the person becomes an Owner.

5.5 INCREASE IN ASSESSMENTS. Subject to the provisions of the Declaration, any action pertaining to increasing the maximum Regular Assessment by more than ten percent (10%) or to Special Assessments for capital improvements shall require the assent of the majority of the vote of the Owners voting in person or by proxy at a meeting duly called for that purpose at which a quorum is present, written notice of which shall be given to all

Members not less than twenty (20) days nor more than fifty (50) days in advance, either personally, by facsimile transmission or by mail (postage prepaid), and shall set forth the purpose of such meeting.

5.6 EXEMPT PROPERTY. All Common Areas, all property owned by Declarant, and all property dedicated to and accepted by the City or another governmental authority shall be exempt from the Regular Assessments created herein. All property owned by the Builders shall be assessed at 50% of the Regular Assessment.

5.7 REMEDIES OF ASSOCIATION. Any Assessment not paid within thirty (30) days after the due date shall be delinquent and shall bear a late fee of \$25.00 per month from the due date as provided in Section 3.7 of the Declaration. The delinquent Owner shall be liable to the Association for the delinquent Assessment and all interest accrued thereon and the Owner shall be required to pay and shall be liable for all costs, expenses and reasonable attorneys' fees incurred by the Association to collect the delinquent Assessment and interest thereon. No Owner may waive or otherwise escape liability for the Assessments provided for herein by non-use of the Common Areas or abandonment of the assessed Lot by the Owner. Without limitation of any of the other remedies provided in this Section 5.7, the Association shall have all remedies as provided in Section 3.7 of the Declaration, subject to Texas law governing as of the time of enforcement of such remedies.

5.8 DUTIES OF THE BOARD. Subject to the terms of these Bylaws, the Board of Directors shall fix the amount of the Regular Assessments from time to time. The Board of Directors may amend the due dates for the Regular Assessments at any time that the amount of the Regular Assessments is fixed. The Board of Directors may levy a Special Assessment authorized by these Bylaws at any time. The Board of Directors shall establish the due date for such Special Assessment at the time of levy. The Board of Directors shall prepare a roster of the Lots and Assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any Owner. Written notice of the Assessment shall thereupon be sent, either personally, by facsimile or electronic transmission or by mail (postage prepaid), to every Owner subject thereto. The Association shall, upon demand at any time, furnish to any Owner liable for an Assessment a certificate in writing signed by an officer of the Association setting forth whether such Assessment has been paid. Such certificate shall be conclusive evidence of payment of any Assessment therein stated to have been paid and shall be binding on the Association as of the date of its issuance.

5.9 SUSPENSION OF RIGHTS. A Member shall be deemed to be in good standing and entitled to vote at any annual or special meeting of Members, within the meaning of these Bylaws, only if he or she is not delinquent in the Assessment made or levied against him or her. Additionally, the Association shall have the right to suspend the voting rights of an Owner for a reasonable period in response to any infraction of the Association's rules and regulations, Subject to requirements of law, a Member's rights to use amenities may be suspended if delinquent in the payment of assessments.

ARTICLE VI ADMINISTRATION

6.1 ASSOCIATION RESPONSIBILITIES. The Members will constitute the Association. The responsibilities and affairs of the Association will be administered through a Board of Directors.

6.2 PLACE OF MEETINGS. All annual and special meetings of the Association shall be held at the principal office of the Association or at such other suitable and convenient place as may be permitted by law and from time to time fixed by the Board of Directors and designated in the notices of such meetings.

6.3 ANNUAL MEETINGS. Annual meetings shall be held the second Monday of April of each year or on any other day not more than thirty (30) days thereafter which is stipulated by resolution of the Board of Directors.

6.4 SPECIAL MEETINGS. It shall be the duty of the President of the Association to call a special meeting of the Members as directed by resolution of the Board of Directors or upon a petition signed by Members having not

less than one tenth (1/10) of the votes entitled to be cast at such meeting and presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof.

6.5 NOTICE OF MEETINGS. The Secretary shall send notices of annual and special meetings to each Member of the Association, either personally, by facsimile or electronic transmission or by mail (postage prepaid), directed to the last known post office address or facsimile number or email address of the Member, as shown on the records of the Association. Such notice shall be delivered not less than twenty (20) days nor more than fifty (50) days before the date of such meeting and shall state the date, time and place of the meeting and the purpose or purposes thereof. If delivered personally, such notice may be left at the Member's residence in his or her absence. If requested, any mortgage of record or its designee may be entitled to receive similar notice.

6.6 ADJOURNED MEETING. If any meeting of Members cannot be organized because a quorum has not attended, the Members who are present, either in person or by proxy, may adjourn the meeting until a quorum is attained, as provided in Section 4.5 hereof.

6.7 DELIVERY OF NOTICES TO MEMBERS. Any notice required to be delivered to a Member Under these Bylaws shall be deemed delivered at the time of personal delivery or, if delivered by facsimile or electronic transmission at the time the communication is successfully transmitted or, if delivered by mail, at the time the notice is deposited in the United States mail addressed to the Member at his or her address as it appears on the records of the Association, with postage thereon paid.

6.8 ORDER OF BUSINESS. The order of business at all meetings of the Members shall be as follows:

- a. Roll call.
- b. Proof of notice of meeting or waiver of notice.
- c. Reading of minutes of preceding meeting.
- d. Reports of officers.
- e. Reports of committees.
- f. Election of Directors and officers, if applicable.
- g. Unfinished business.
- h. New business.

ARTICLE VII

BOARD OF DIRECTORS; ELECTION OF OFFICERS

7.1 NUMBER AND QUALIFICATION. A Board of Directors shall govern the affairs of the Association. The initial Board of Directors shall be composed of the following five (5) persons, or their successors as appointed by the Declarant:

NAME	ADDRESS
Wally Creel	15950 North Dallas Parkway, Suite 750 Dallas, TX 75248
Cindy Cottrell	15950 North Dallas Parkway, Suite 750 Dallas, TX 75248
J.Brady Giddens	15950 North Dallas Parkway, Suite 750 Dallas, TX 75248
Andrew Didier	1234 Lakeshore Drive, Suite 750 Coppell, TX 75019
Cregg McGaha	1565 North MacArthur Boulevard, Suite 400 Irving, TX 75049

Prior to the Termination Date, the Board of Directors shall have authority to perform the following acts, regardless of whether these Bylaws contemplate that such acts will normally be performed by the Board of Directors or an officer of the Association:

- a) File the Articles with the Secretary of State of Texas and adopt these Bylaws by the Association.
- b) Procure and maintain all necessary books and records of the Association.
- c) Pay all fees, expenses and costs incident to or necessary for the incorporation and organization of the Association.
- d) Approve and adopt the fiscal year of the Association.
- e) Establish and maintain such bank accounts with such banks and authorized signatories and in such cities and states as the three-member Board of Directors shall deem necessary or desirable.
- f) Approve and adopt the budget for the Association's affairs for each fiscal year (the "Association Budget").
- g) Take such other action as the Board of Directors shall consider necessary or desirable for the prudent and efficient organization of the Association.
- h) Provide for all Owners of Lots required to be Members under Section 4.1 above, copies of Association documents and otherwise complying with the provisions of the Texas Property Code with respect to all Members.
- i) Collect and enforce the Regular Assessment owing under these Bylaws by all Owners of Lots becoming Members.
- j) Schedule and conduct the first annual meeting or special meeting of the Members following the Termination Date in accordance with these Bylaws.
- k) Accept for the Association, as a contribution to the Association by Declarant without payment by the Association, the conveyance of fee simple title to the Common Areas, and procure for the Association an owner's policy of title insurance insuring such title, all on such terms and conditions as the Board of Directors shall determine to be in the best interest of the Association.
- l) Take or cause to be taken all such further action and cause to be signed, executed, acknowledged, certified, delivered, accepted, recorded, and filed all such further instruments in the name and on behalf of the Association as in the judgment of the, Board of Directors shall be necessary, desirable or advisable in order to carry out the intent of and to accomplish the purpose of the foregoing authorized acts.

The Board of Directors shall otherwise conduct business of the Association as provided in these Bylaws, the Declaration, Articles, and applicable law. The members of the Board of Directors, except for the Directors named herein or hereafter appointed by the Declarant must be Members. It is provided, however, that an officer of an entity owning one or more Lots may serve as a Director. Not more than one Owner of a Lot may serve on the Board of Directors at the same time. The Directors named above appointed by Declarant shall be the initial Directors on the initial Board of Directors unless and until Declarant should appoint one or more other persons.

7.2 POWERS AND DUTIES. The Board of Directors shall have the powers and duties necessary for the operation and maintenance of the Common Areas and the administration of the other responsibilities and affairs of the Association. Subject to the provisions of the preceding sentence, the Board of Directors may do all such acts and things that are not by these Bylaws, the Declaration, or the Articles directed to be exercised and done by the Members or, if applicable, the Declarant. Decisions of the Board of Directors shall be made by the vote of a majority of the Directors present at a meeting at which a quorum is present pursuant to Section 7.12 below. Nothing herein shall affect or diminish the approval rights reserved by the Declarant elsewhere herein or in the Declaration.

7.3 OTHER POWERS AND DUTIES. The Board of Directors shall have the following additional

duties:

- a) To administer and enforce the covenants, conditions, restrictions, uses, limitations, obligations and all other provisions set forth in the Declarations, to the extent permitted by applicable law and to the extent the Board of Directors elects to do so.
- b) To establish, make and enforce compliance with rules, conditions, restrictions, limitations and all other provisions necessary for the orderly operation, use and maintenance of the Common Areas. A copy of such rules shall be delivered or mailed to each Member promptly upon the adoption thereof and recorded in the Real Property Records of Denton County as required by the Texas Property Code.)
- c) To keep in good order, condition and repair the Common Areas and all items of personal property used in the enjoyment of the Common Areas, to provide maintenance and replacement of improvements and landscaping on the Common Areas as needed and as provided in the Declaration.
- d) To insure and keep insured the Common Areas, including the Main Structures for which the Association has the responsibility for maintenance and repair, in an amount equal to the maximum replacement value of the improvements thereon, if any as more fully provided in the Declaration; to obtain and maintain commercial general liability insurance covering the Common Areas in amounts not less than One Hundred Thousand Dollars (\$100,000.00) per person, Three Hundred Thousand Dollars (\$300,000.00) per accident and Fifty Thousand Dollars (\$50,000.00) for property damages, with an annual aggregate of not less than One Million Dollars (\$1,000,000.00); to insure and keep insured all the fixtures, equipment and personal property acquired by the Association for the benefit of the Association, the Members and their mortgagees; and to purchase and maintain insurance or a similar arrangement (including, but not limited to, a trust fund, self-insurance, a letter of credit, or a guaranty or surety arrangement) on behalf of any person who is serving the Association (or another entity at the request of the Association) against any liability asserted against such person and incurred by such person in such a capacity or arising out of status as such a person, whether or not the Association would have the power to indemnify such person against that liability under the Articles or by statute. Notwithstanding the other provisions of this subsection, the Association may not indemnify or maintain insurance or a similar arrangement on behalf of any person if such indemnification or maintenance of insurance or similar arrangement would subject the Association to income or excise tax under the Internal Revenue Code of 1986, as amended. The insurance provisions of the Declaration control in event of a conflict with these provisions.
- e) To fix, determine, levy and collect the Assessments to be paid by each of the Owners; and by majority vote of the Board to adjust, decrease or increase the amount of the Regular Assessments, subject to the provisions of these Bylaws; to levy and collect Special Assessments in order to meet increased operating or maintenance expenses or costs, additional capital expenses and other expenses and costs for which a Special Assessment is authorized under these Bylaws. All Regular, Special or other assessments shall be in itemized statement form and shall set forth in detail the various expenses for which the Assessments are being made.
- f) To collect delinquent Assessments by suit or by any other process available under the Declaration or at law or in equity; and to enjoin and/or seek damages from an Owner, as provided by these Bylaws.
- g) To protect and defend the Common Areas from loss and damage by suit or otherwise.
- h) To enter into contracts within the scope of the duties and powers of the directors set forth herein.
- i) To establish a bank account for the common treasury for all separate funds which are required or may be deemed advisable by the Board of Directors.
- j) To use excess monies that may accrue in the account of the Association to pay costs and expenses of the Association incurred in accordance with these Bylaws.
- k) To keep and maintain full and accurate books and records showing all of the receipts, expenses or disbursements and to permit examination thereof at any reasonable time by each of the Members and any mortgagee of a Member's property within the Property. The Association shall cause to be

prepared and delivered annually to each Member a statement showing all receipts, expenses or disbursements since the last such statement. Such financial statements shall be available to any mortgagee of a Lot, on request, within ninety (90) days following the fiscal year end of the Association. Any Member may require that the Association cause to be prepared and delivered, at such Member's expense, an audited financial statement of the Association. In addition, each Member shall have the right to inspect the books and records of the Association during normal business hours.

- l) To meet at least once each calendar year.
- m) To designate and employ the personnel necessary for the maintenance and operation of the Common Areas.
- n) The initial members of the Architectural Control Committee referenced in §1.6 and Article V of the Declaration (the "committee") shall be appointed by the Declarant. After the Board is increased by the appointment of two more Directors the Board shall appoint the Committee.
- o) In general, to carry on the administration of the Association and to do all of those things, necessary and reasonable, in order to carry out the communal aspect of the use and enjoyment of the Common Areas.
- p) Notwithstanding any provision to the contrary contained in these Bylaws, neither the Board of Directors nor any officer of the Association, without the affirmative vote of a majority of the Members present in person or by proxy at any regular or special meeting of the Members duly called, shall have authority to borrow funds in order to pay for any required expenditure or outlay or to mortgage, pledge or hypothecate any or all of the real or personal property of the Association as security for money borrowed or debts incurred in connection with the affairs of the Association.

7.4 ELECTION AND TERM OF OFFICE. The Declarant shall appoint three (3) of the initial Directors ("Declarant Directors"). The two Builders shall each appoint one (1) of the initial Directors ("Builder Directors") to complete the five (5) member Board. At the first annual meeting after the Termination Date the Board shall include five directors to be elected by the Members. The three persons receiving the greatest number of votes will be elected for a term of two years and the remaining two will be elected for a term of one year. At each annual meeting of the Members thereafter the Directors to be elected will each be elected for two-year terms. Following the election of the Directors, the Directors shall meet and select the President, Vice President and Secretary, respectively, of the Association which officers may, but are not required to be, members of the Board. Each officer elected shall hold office until the next annual meeting or until his successor shall have been elected and qualified or until his earlier death, resignation, retirement, disqualification or removal.

7.5 VACANCIES. Prior to the Termination Date the Declarant will appoint replacement Directors to fill vacancies left by the Declarant Directors and the Builder who appointed the vacating Builder Director will appoint a replacement Builder Director to fill the vacancy. After the Termination Date, vacancies on the Board of Directors (and any corresponding vacancy, if applicable, in the officer position held by the vacating Director) caused by any reason other than the removal of a Director by a vote of the Association shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum. Each Director so elected shall serve out the remaining directorship term of his predecessor and, if applicable, shall serve out the remaining term of the officer position held by his predecessor. Notwithstanding the foregoing, so long as the Termination Date has not occurred, any vacancy of an appointed Director shall be filled only by written designation of the replacement by the Declarant.

7.6 REMOVAL OF DIRECTORS. At any time, any Declarant Director may be removed by Declarant, and a Builder Director may be removed by the Builder appointing him or her, by written notice thereof

delivered either personally, by facsimile transmission or by mail (postage prepaid) to the Secretary of the Association and designating a replacement Director in accordance with 7.5 above. A Declarant Director may be removed only by Declarant and a Builder Director may be removed only by the Builder appointing such director. At any regular or special meeting of the Members duly called, any Director who is not an appointed Director may be removed from his directorship position and any corresponding officer position held by him with or without cause by a majority vote of the Members, and a successor may then and there be elected to fill the vacancy in the directorship position and any corresponding officer position thus created in accordance with Section 7.5 above .. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting.

7.7 ORGANIZATION MEETING. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

7.8 REGULAR MEETINGS. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but at least one such meeting shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, either personally, by telephone, by facsimile or electronic transmission or by mail (postage prepaid), at least ten (10) days prior to the day named for such meeting.

7.9 SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the President or Secretary, or upon the written request of at least three Directors. The President or Secretary will give ten (10) days to each Director either personally, by telephone, by facsimile transmission or by mail (postage prepaid), which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

7.10 TELEPHONIC MEETING. The Board of Directors may participate in and hold a meeting by means of conference telephone or similar communication equipment by which all persons participating in the meeting can hear each other. Participation in such a meeting shall constitute presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

7.11 DELIVERY, WAIVER OF NOTICES. Any notice required to be delivered to a Director under these Bylaws shall be deemed delivered at the time of personal delivery or, if delivered by telephone or by facsimile transmission, at the time the communication is successfully transmitted or, if delivered by mail, at the time the notice is deposited in the United States mail addressed to the Director at his or her address as it appears on the records of the Association, with postage thereon paid. 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 Board, no notice shall be required, and any business may be transacted at such meeting.

7.12 BOARD OF DIRECTOR QUORUM. At all meetings of the Board of Directors, a majority of Directors shall constitute a quorum for the transaction of business and the act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless these Bylaws or the Declaration should require a majority vote of all Directors. If, at any meeting of the Board of Directors, there is less than a quorum present, the majority of those present may adjourn the meeting from time to time.

7.13 INTERPRETATION. In the event of a disagreement as to the meaning and interpretation of language in the Declaration, Articles, these Bylaws, or any other Dedicatory Instrument, as that tennis

defined in Section 2.02.001 of the Texas Property Code, the decision of the Board shall govern and be binding on all parties subject thereto.

ARTICLE VIII POWERS AND DUTIES

8.1 DESIGNATION. The officers of the Association shall be a President, Vice President, Secretary and Treasurer, each of whom may be a Director. Not more than one Owner of a Lot may serve as an officer of the Association at any one time.

8.2 ELECTION OF OFFICERS. The President, Vice President, Secretary, and Treasurer shall be Directors duly elected by the Board as provided in Section 7.4 above.

8.3 REMOVAL OF AN OFFICER. Upon an affirmative vote of a majority of the members of the Board of Directors, an officer may be removed, either with or without cause, and his or her successor may be elected at any regular meeting of the Board of Directors or at any special meeting of the Board called for such purpose.

8.4 PRESIDENT. The President shall be the chief executive officer of the Association. The President shall preside at all meetings of both the Association and the Board of Directors, and shall have all the general powers and duties which are usually vested in the office of President of an association, including, but not limited to, the power to appoint committees from among the Members to assist in the administration of the affairs of the Association. The President, or his or her designated alternate, shall represent the Association at all meetings of the Association, as well as outside business meetings.

8.5 VICE PRESIDENT. The Vice President shall perform all of the duties of the President in his or her absence and such other duties as may be required of the Vice President from time to time by the President or the Board of Directors.

8.6 SECRETARY.

- a) The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association. The Secretary shall have charge of such books and papers as the Board of Directors may direct and shall, in general, perform all of the duties incident to the office of the Secretary.
- b) The Secretary shall compile and keep up to date at the principal office of the Association a complete list of Members and their last known addresses as shown on the records of the Association. Such list shall be open to inspection by members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

8.7 TREASURER. The Treasurer shall receive and deposit in appropriate bank accounts all money of the Association and shall disburse such money as directed by resolution of the Board of Directors. The Treasurer shall also have the authority to: keep proper books of account; cause an annual statement of the Association's books to be made at the completion of each fiscal year; prepare an annual budget and a statement of income expenditures to be presented to the Members at their regular annual meeting, and deliver a copy of each to the Members; and perform all other duties assigned to the Treasurer by the Board of Directors.

ARTICLE IX AMENDMENTS TO BYLAWS

9.1 AMENDMENTS GENERALLY. Except as provided in Section 9.2 below, these Bylaws may be amended or repealed, or new bylaws may be adopted, at any annual or special meeting of the Members at which a quorum is present by the majority vote of the Members present at the meeting; provided notice of the proposed amendment, repeal or adoption is contained in the notice of such meeting; and provided further, that the foregoing notice requirement shall not prohibit the Members from adopting the proposed amendment, effecting the proposed repeal or adopting the proposed new bylaws, as the case may be, in a modified form which is not identical to that described or set forth in the notice of such meeting. Notwithstanding the foregoing, if the Declaration should be amended pursuant to Section 7 .15 thereof and such amendment be in conflict with any provision hereof then the conflicting provision in these Bylaws shall be amended to comply with the provisions of. the Declaration.

9.2 RESTRICTIONS ON AMENDMENTS. Prior to the Termination Date the Members may not amend or repeal these Bylaws, or adopt new bylaws, unless Declarant consents thereto in writing.

9.3 AMENDMENTS DURING THE DECLARANT CONTROL PERIOD. Prior to the Termination Date while the Declarant is the Class B Member Declarant shall have the right to unilaterally make amendments to the Bylaws which Declarant deems to be in the best interest of the Association or to correct errors or omissions.

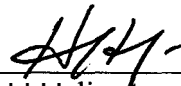
**CONSENT OF THE DIRECTORS OF
THE SHOPS AT PRESTONWOOD
HOMEOWNERS' ASSOCIATION,
INC.**

December 1, 2009

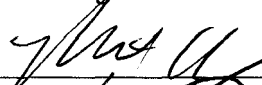
The undersigned, constituting the Board of Directors (the "Board") of The Shops at Prestonwood Homeowners' Association, Inc. (the "Corporation"), a Texas non-profit corporation, consents to the adoption of the following resolutions, pursuant to Article 1396-9.10A of the Texas Non- Profit Corporation Act and Article 7.4 of the By-laws:

RESOLVED, that Harold Holigan, Michael Holigan and J. Brady Giddens are appointed to serve as the Directors of the Corporation.

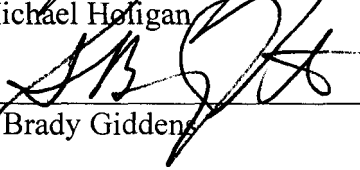
EXECUTED to be effective as of the date set forth above.



Harold Holigan



Michael Holigan



J. Brady Giddens