

**BY-LAWS**  
**OF**  
**FRISCO SQUARE HOMEOWNERS ASSOCIATION, INC.**

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**BY-LAWS****OF****FRISCO SQUARE HOMEOWNERS ASSOCIATION, INC.****Article I Name, Principal Office, Definitions****1.1. Name.**

The name of the corporation is Frisco Square Homeowners Association, Inc. (the "Association").

**1.2. Principal Office.**

The Association's principal office shall be located in Collin County, Texas. The Association may have such other offices, either within or outside Texas, as the Board may determine or as the Association's affairs may require.

**1.3. Definitions.**

The words used in these By-Laws shall be given their normal, commonly understood definitions, unless otherwise specified. In order to minimize repetition, some terms are capitalized to indicate that they have specific definitions as set forth in the Declaration of Covenants, Conditions, and Restrictions for Frisco Square (the "Declaration"), filed by Frisco Square, Ltd., a Texas limited partnership, in the Public Records, as such Declaration may be amended.

**Article II Membership and Meetings****2.1. Membership.**

All Owners shall be Members of the Association.

**2.2. Place of Meetings.**

Associations meetings shall be held at the Association's principal office or at such other suitable place convenient to the Members as the Board may designate, either within the Community or as convenient as possible and practical.

2.3. Annual Meetings.

The first meeting of the Association membership, whether a regular or special meeting, shall be held within one year from the Association's date of incorporation. The Board shall set the date and time of subsequent regular annual meetings so as to occur during the third quarter of the Association's fiscal year. Annual meetings may be conducted electronically (i.e., via the Internet, intranet, or teleconference) if, and to the extent, permitted by law.

2.4. Special Meetings.

The President may call special meetings. In addition, the President shall call a special meeting if so directed by Board resolution or upon a petition which Members representing at least 10% of the total votes in the Association sign.

2.5. Notice of Meetings.

The Association's Secretary shall cause written notice stating the place, day, and hour of any Association meeting to be given in any manner permitted by Texas law. If permitted, notice may be posted in a conspicuous, prominent place within the Community; delivered by hand delivery; or sent by facsimile, electronic mail, or other electronic communication device, or such other manner which is reasonably calculated, as determined in the Board's discretion, to provide personal notice. Notice shall be given at least 10 but less than 60 days before the date of the meeting, by or at the direction of the President, the Secretary, or the officers or persons calling the meeting.

In the case of a special meeting or when otherwise required by statute or these By-Laws, the purpose or purposes 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.

If posted, notice shall be deemed delivered when posted. If mailed, the notice of a meeting shall be deemed to be delivered when hand delivered or deposited in the United States mail addressed to the Member at the address of the Member's Unit or such other address as the Member may have designated in writing to the Association, with postage prepaid. Failure to receive actual notice of an Association meeting shall not affect the validity of any action taken at such meeting.

2.6. Waiver of Notice.

Any Member may, in writing, waive notice of any meeting of the Members, either before or after such meeting. Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Attendance at a meeting by a Member shall be deemed waiver by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

## 2.7. Adjournment of Meetings.

If any Association meeting cannot be held because a quorum is not present, a majority of the Members who are present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. 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.

The Members present at a duly called or held meeting at which a quorum is initially present may continue to do business until adjournment, notwithstanding the withdrawal of some Members leaving less than a quorum, provided that any action taken is approved by at least a majority of the votes required to constitute a quorum.

## 2.8. Voting.

Members' voting rights shall be as set forth in the Declaration and in these By-Laws, and such voting rights provisions are specifically incorporated by this reference. Members may vote at a meeting by voice vote or ballot or may vote by mail without the necessity of a meeting, as determined by the Board; provided, the Board shall hold meetings when required by the Declaration, these By-Laws, or Texas law. Votes for the election of directors shall be cast by secret written ballot. All Member votes cast at meetings are subject to the quorum requirements of Section 2.11. The Board may permit votes to be cast electronically (*i.e.*, via the Internet, intranet, or electronic mail) with sufficient verification of authenticity and if permitted by law.

## 2.9. Proxies.

Members may vote in person or by proxy, subject to the limitations of Texas law relating to use of proxies and subject to any specific provision to the contrary in the Declaration or these By-Laws. Every proxy shall be in writing and shall identify the Unit for which it is given. Proxies shall be signed by the Member or the Member's attorney-in-fact, dated, and filed with the Secretary of the Association prior to the meeting for which it is to be effective.

Unless otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast. In the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid.

Every proxy shall be revocable and shall automatically cease upon conveyance of any Unit for which it was given, upon receipt by the Secretary of written notice of revocation of the proxy or of the

death or judicially declared incompetence of a Member who is a natural person, or one year from the date of the proxy, unless a shorter period is specified in the proxy.

2.10. Majority.

As used in these By-Laws, the term "majority" shall mean those votes, Owners, or other group as the context may indicate totaling more than 50% of the total eligible number.

2.11. Quorum.

Except as otherwise provided in these By-Laws or in the Declaration, the presence of persons entitled to cast at least 30% of the total votes in the Association shall be required to transact business at any meeting of the membership.

2.12. Conduct of Meetings.

The President shall preside over all Association meetings, and the Secretary shall keep the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings. Owners may tape record or videotape Association meetings subject to reasonable rules the Board imposes.

2.13. Action Without a Meeting.

Unless otherwise prohibited by Texas law, any action required or permitted by law to be taken at a meeting of the Members may be taken by written consent or by ballot cast by mail without a meeting, in accordance with the following procedure:

(a) The Secretary shall send written notice of the proposed action for which consent is requested to each Member entitled to vote thereon at least 10 days prior to the deadline for returning the ballots or consents. The notice shall be accompanied by a ballot or consent form which:

- (i) describes the proposed action;
- (ii) provides a place to indicate, in the case of a ballot, how the Owner's vote is to be cast, or in the case of a consent, the Owner's approval or disapproval of, or consent to the proposed action;
- (iii) provides a method of identifying the Owner and the Unit for which the ballot is cast or consent is given, and in the case of a consent, a place for the Owner's signature; and
- (iv) indicates the address to which completed forms should be returned and the deadline for returning them, if any.

(b) The proposed action shall be deemed approved if ballots or consents approving the action are received from Members holding at least the minimum number of votes necessary to authorize such action at a meeting if all Members entitled to vote thereon were present, and such ballots or consents shall have the same force and effect as a vote of the Members at a meeting. The ballots or consents shall be filed with the minutes of the Association. Within 10 days after receiving authorization for any action by written consent, the Secretary shall give written notice to all Members entitled to vote fairly summarizing the material features of the authorized action.

### Article III Board of Directors

#### A. Composition and Selection

##### 3.1. Governing Body; Composition

The Board shall govern the Association's affairs, and each Director shall have one equal vote. Except with respect to directors appointed by Declarant, the directors shall be Members or residents; provided, no Owner and resident representing the same Unit may serve on the Board at the same time. A "resident" shall be any natural person 18 years of age or older whose principal residence is a Unit within the Community. In the case of a Member which is not a natural person, any officer, director, partner, or trust officer of such Member shall be eligible to serve as a director unless otherwise specified by written notice to the Association signed by such Member; provided, no Member may have more than one such representative on the Board at a time, except in the case of directors Declarant appoints.

##### 3.2. Number of Directors

The Board shall consist of three directors UNTIL INCREASED, as provided in Sections 3.3 and 3.5 below. The initial Board shall consist of the directors identified in the Articles of Incorporation.

##### 3.3. Directors During Declarant Control Period

Subject to the provisions of Section 3.5, the Declarant shall be entitled to appoint, remove, and replace the directors in its sole discretion during the Declarant Control Period. The Declarant Control Period shall terminate upon the first to occur of the following:

- (a) when 75% of the Unit permitted under the Master Plan are issued certificates of occupancy and are owned by Members other than Declarant or Builders;
- (b) December 31, 2016; or
- (c) when, in its discretion, Declarant so determines.



### 3.4. Nomination and Election Procedures.

(a) Declarations of Candidacy. Prior to each election of directors, the Board shall announce the opening date and the closing date of a reasonable period in which any eligible person who has an interest in serving as a director may file as a candidate for any position for which he or she may be eligible. The Board shall also establish such other rules and regulations as it deems appropriate to conduct the nomination of directors in a fair, efficient, and cost-effective manner.

Nominations for election to the Board may also be made by a Nominating Committee. The Nominating Committee, if any, shall consist of a Chairman, who shall be a member of the Board, and three or more Members or representatives of Members. The Board shall appoint the members of the Nominating Committee, if one is to be appointed, not less than 30 days prior to the election, and such appointment shall be announced in the notice of each election.

The Nominating Committee may make as many nominations for election to the Board as it deems appropriate in its discretion. The Nominating Committee shall nominate separate slates for the directors, if any, to be elected by the Members. In making its nominations, the Nominating Committee shall use reasonable efforts to nominate candidates representing the diversity which exists within the pool of potential candidates. The Board may also permit nominations from the floor.

Each candidate shall be given a reasonable, uniform opportunity to communicate his or her qualifications to the Members and to solicit votes.

(b) Election Procedures. Each Member may cast all votes assigned to its Unit for each position on the Board to be filled by such election. There shall be no cumulative voting. That number of candidates equal to the number of positions to be filled receiving the greatest number of votes shall be elected. Directors may be elected to serve any number of consecutive terms.

### 3.5. Election and Term of Office.

Notwithstanding any other provision of these By-Laws:

(a) Within 30 days after the time that Members other than Declarant or Builders own 25% of the Units permitted by the Master Plan, or whenever Declarant earlier determines, the President shall call for an election by which the Members shall elect one of the three directors. Declarant shall appoint the remaining two directors. The director elected by the Members shall be elected for a term of two years or until the happening of the event described in subsection (b), whichever is shorter. If such Member elected director's term expires prior to the happening of the event described in subsection (b), a successor shall be elected for a like term.

(b) Within 30 days after the time that Members other than Declarant or Builders own 50% of the Units permitted by the Master Plan, or whenever Declarant earlier determines, the Board shall be increased to five directors. The President shall call for an election by which the Members shall elect two

of the five directors. Declarant shall appoint the remaining three directors. The directors elected by the Members shall be elected for a term of two years or until the happening of the event described in subsection (c), whichever is shorter. If the Member-elected directors' terms expire prior to the happening of the event described in subsection (c), successors shall be elected for a like term.

(c) Within 90 days after the Declarant Control Period terminates, the President shall call for an election by which the Members shall elect three of the five directors. Declarant shall appoint the remaining two directors. The directors elected by the Members shall serve until the first annual meeting following the termination of the Declarant Control Period. If the annual meeting is scheduled to occur within 90 days after the Declarant Control Period terminates, this subsection shall not apply and directors shall be elected in accordance with subsection (d).

(d) Not later than the first annual meeting after the termination of the Declarant Control Period, the President shall call for an election by which the Members shall elect four of the five directors. Declarant shall appoint the remaining director. Two of the directors elected by the Members shall serve two-year terms and two of the directors elected by the Members shall serve one-year terms, as such directors determine among themselves.

Until the time that Members other than Declarant or Builders own 100% of the Units permitted by the Master Plan, or whenever Declarant earlier determines, Declarant may appoint one director. At such time, the director appointed by Declarant shall resign and the remaining directors shall appoint a director to serve until the next annual meeting, at which time the Members shall elect a director to fill such position. Such director shall be elected for a two-year term.

Thereafter, upon expiration of the term of office of each director, each director shall hold office until their respective successors have been elected. Directors may not serve more than two consecutive two-year terms.

COMPOSITION OF BOARD OF DIRECTORS*					
Initial Board	25% of Units sold	50% of Units sold	Termination of Declarant Control Period	First Annual Meeting After Termination of Declarant Control Period	100% of Units sold
Declarant	Declarant	Declarant	Declarant	Declarant	Owners
Declarant	Declarant	Declarant	Declarant	Owners	Owners
Declarant	Owners	Declarant	Owners	Owners	Owners
		Owners	Owners	Owners	Owners
		Owners	Owners	Owners	Owners

\*Notes to Chart:

"Declarant" indicates position is filled by Declarant appointment.

"Owners" indicates position is filled by election by Members.

The column entitled "Termination of Declarant Control Period" reflects the Board composition after the first annual meeting in accordance with Section 3.5(d).

### 3.6. Removal of Directors and Vacancies.

Any director elected by the Members may be removed, with or without cause, by Members representing a majority of the total vote in the Association at any meeting at which a quorum is present. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall be elected by the Members entitled to elect the director so removed to fill the vacancy for the remainder of the term of such director. Directors elected by the Members may not be removed by Declarant.

Any director elected by the Members who has three consecutive unexcused absences from Board meetings, or who is more than 30 days delinquent (or is the representative of a Member who is so delinquent) in the payment of any Assessment or other charge due the Association, may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and the Board may appoint a successor to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of a director elected by the Members, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Members entitled to fill such directorship may elect a successor for the remainder of the term.

This Section shall not apply to directors appointed by Declarant. Declarant shall be entitled to appoint a successor to fill any vacancy on the Board resulting from the death, disability, or resignation of a director appointed by Declarant.

## B. Meetings.

### 3.7. Organizational Meetings.

The first meeting of the Board following each annual meeting of the membership shall be held within 10 days thereafter at such time and place the Board shall fix.

### 3.8. Regular Meetings.

Regular Board meetings may be held at such time and place as a majority of the directors shall determine, but at least four such meetings shall be held during each fiscal year with at least one per quarter.

Notice of the time and place of a regular meeting shall be communicated to directors not less than four days prior to the meeting; provided, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

3.9. Special Meetings.

Special Board meetings shall be held when called by written notice signed by the President or Vice President or by any two directors.

3.10. Notices; Waiver of Notice.

(a) Notices of Board meetings shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. The notice shall be given to each director by:

(i) personal delivery;

(ii) first class mail, postage prepaid;

(iii) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or

(iv) facsimile, computer, fiberoptics or other electronic communication device, with confirmation of transmission.

All such notices shall be given at the director's telephone number, fax number, electronic mail number, or sent to the director's address as shown on the records of the Association. Notices of special Board meetings shall also be posted in a prominent place within the Community. Notices sent by first class mail shall be deposited into a United States mailbox at least five business days before the time set for the meeting. Notices given by personal delivery, telephone, or other device shall be delivered or transmitted at least 72 hours before the time set for the meeting.

(b) Except for emergency meetings, notice of a Board meeting shall be posted in a conspicuous place within the Community at least 48 hours in advance of the meeting or provided in any other manner reasonably anticipated to provide notice to all Members, including publication in an Association newsletter with community-wide circulation, posting on a Community cable television channel, or posting on a community internet or intranet page, if any.

(c) The transactions of any Board meeting, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (i) a quorum is present, and (ii) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

(d) Notice of any meeting at which assessments are to be established shall state that fact and the nature of the assessment.

3.11. Telephonic Participation in Meetings.

Members of the Board or any committee designated by the Board may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

3.12. Quorum of Board of Directors.

At all Board meetings, the presence of a majority of the directors shall be necessary to establish a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board, unless Texas law, these By-Laws, or the Declaration specifically provide otherwise. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

If any Board meeting cannot be held because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

3.13. Compensation.

Directors shall not receive any compensation from the Association for acting as such. Any director may be reimbursed for expenses incurred on the Association's behalf upon approval of a majority of the other directors. The Association may compensate a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association. However, such director must make known his or her interest to the Board prior to entering into such contract, and such contract must be approved by a majority of the Board, excluding the interested director.

3.14. Conduct of Meetings.

The President shall preside over all Board meetings, and the Secretary shall keep a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings.

3.15. Open Meetings.

Subject to the provisions of Section 3.16, all Board meetings shall be open to all Members, but attendees other than directors may not participate in any discussion or deliberation unless permission to speak is requested on their behalf by a director. In such case, the President may limit the time any such individual may speak. Notwithstanding the above, the President may adjourn any Board meeting and reconvene in executive session, and may exclude persons other than directors, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc.

3.16. Action Without a Formal Meeting.

Any action to be taken at a Board meeting or any action that may be taken at a Board meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties.

3.17. Powers.

The Board shall have all of the powers and duties necessary for the administration of the Association's affairs and for performing all responsibilities and exercising all rights of the Association as set forth in the Governing Documents and as provided by law. The Board may do or cause to be done, without a vote of the membership, all acts and things except those as to which the Governing Documents or Texas law require a vote of the membership.

3.18. Duties.

Board duties shall include, without limitation:

- (a) preparing and adopting, in accordance with the Declaration, an annual budget establishing each Owner's share of the Common Expenses;
- (b) levying and collecting such assessments from the Owners;
- (c) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility;
- (d) designating, hiring, and dismissing the personnel necessary to exercise the authority and carry out the Association's responsibilities and where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

- (e) depositing all funds received on the Association's behalf in a bank depository which it shall approve, and using such funds to operate the Association; provided, any reserve funds may be deposited, in the directors' best business judgment, in depositories other than banks;
- (f) making and amending Restrictions and Rules in accordance with the Declaration;
- (g) opening of bank accounts on the Association's behalf and designating the persons authorized to sign on such accounts;
- (h) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Declaration and these By-Laws;
- (i) enforcing by legal means the provisions of the Declaration, these By-Laws, and the rules adopted by it;
- (j) bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association, subject to the provisions of Article XVIII of the Declaration;
- (k) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;
- (l) paying the cost of all services rendered to the Association;
- (m) keeping books with detailed accounts of the receipts and expenditures of the Association;
- (n) making available to any prospective purchaser of a Unit, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Unit, current copies of the Declaration, the Articles of Incorporation, the By-Laws, rules and all other books, records, and financial statements of the Association as provided in Section 6.4;
- (o) permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Community;
- (p) indemnifying a director, officer, or committee member, or former director, officer, or committee member of the Association to the extent such indemnity is required by Texas law, the Articles of Incorporation, or the Declaration; and
- (q) assisting in the resolution of disputes between owners and others without litigation, as set forth in the Declaration.

### 3.19. Right of Declarant to Disapprove Actions.

After termination of the Declarant Control Period, Declarant, so long as it retains the rights granted pursuant to Article XIII of the Declaration, shall have a right to disapprove any action, policy, or program of the Association, the Board and any committee which, in Declarant's sole judgment, conflicts with the established Community-Wide Standard, would tend to impair Declarant's rights under the Declaration or these By-Laws, or interfere with the development, construction, or operation of any portion of Frisco Square, or diminish the level of services being provided by the Association.

(a) Declarant shall be given written notice of all meetings and proposed actions approved at meetings (or by written consent in lieu of a meeting) of the Association, the Board, or any committee. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address which Declarant has registered with the Association's Secretary, which notice complies as to the Board meetings with Section 3.10 and which notice shall, except in the case of the regular meetings held pursuant to these By-Laws, set forth with reasonable particularity the agenda to be followed at such meeting; and

(b) Declarant shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein.

No action, policy, or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met.

Declarant, its representatives, or agents shall make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. Declarant, acting through any officer or director, agent, or authorized representative, may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 10 days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions but shall not include a right to require any action or counteraction on behalf of any committee, or the Board, or the Association. Declarant shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

### 3.20. Management.

The Board may employ for the Association a professional management agent or agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary for the manager to assist the Board in performing its duties under Section 3.18 but shall not delegate policy-making authority or ultimate responsibility. The Declarant or Declarant's affiliate may be employed as managing agent or manager.



The Board may delegate to one of its members the authority to act on its behalf on all matters relating to the duties of the managing agent or manager, if any, which might arise between meetings of the Board.

The Association shall not be bound, either directly or indirectly, by any management contract executed during the Declarant Control Period unless such contract contains a right of termination which the Association may exercise with or without cause and without penalty at any time after termination of the Declarant Control Period upon not more than 90 days' written notice. After the Declarant Control Period terminates, the Association may not terminate any management contract, or retain a new managing agent, without the Declarant's approval so long as Declarant retains the right to annex property to Frisco Square under the Governing Documents.

### 3.21. Accounts and Reports.

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

- (a) accrual accounting, as defined by generally accepted accounting principles, shall be employed;
- (b) accounting and controls should conform to generally accepted accounting principles;
- (c) cash accounts of the Association shall not be commingled with any other accounts;
- (d) no remuneration shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;
- (e) any financial or other interest which the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board;
- (f) commencing at the end of the quarter in which the first Unit is sold and closed, financial reports shall be prepared for the Association at least quarterly containing:
  - (i) an income statement reflecting all income and expense activity for the preceding period on an accrual basis;
  - (ii) a statement reflecting all cash receipts and disbursements for the preceding period;
  - (iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;

(iv) a balance sheet as of the last day of the preceding period; and

(v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless otherwise specified by Board resolution); and

(g) an annual report consisting of at least the following shall be made available to all Members within 120 days after the close of the fiscal year: (1) a balance sheet; (2) an operating (income) statement; and (3) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines, by an independent public accountant; provided, upon written request of any holder, guarantor or insurer of any first Mortgage on a Unit, the Association shall provide an audited financial statement.

The Association shall provide each Owner or its authorized agent a copy of the annual financial report within 10 business days following receipt of a written request for access. In addition, if Texas law requires, the Association shall send a copy of the annual report to each Member by mail or personal delivery within 90 days following the close of the fiscal year.

### 3.22. Borrowing.

The Association shall have the power to borrow money for any legal purpose; provided, the Board shall obtain approval of Members entitled to cast at least a majority of the votes cast at a duly called and held meeting of the Members at which a quorum is represented, if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 25% of the budgeted gross expenses of the Association for that fiscal year. During the Declarant Control Period, no Mortgage lien shall be placed on any portion of the Common Area without the affirmative vote or written consent, or any combination thereof, of Members representing at least 67% of the total votes in the Association. After the Declarant Control Period terminates, no Mortgage lien may be placed in the Common Area, nor may assessments be pledged as security for any loan, without the Declarant's approval so long as Declarant retains the right to annex property to Frisco Square under the Governing Documents, and such other approval as the Declaration may require.

### 3.23. Right to Contract.

The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, and other owners or residents associations outside the Community.

3.24. Board Training Seminar.

The Board shall provide or provide for seminars and continuing educational opportunities designed to educate and inform directors of their responsibilities as directors. Such programs shall include instruction on applicable Texas corporate and fiduciary law principles, other issues relating to administering the Community's affairs, and upholding and enforcing the Governing Documents. The Board shall retain industry professionals, which may include property managers, attorneys, and accountants, as appropriate or necessary for such purpose. Each newly elected and each re-elected director shall complete a training seminar within the first six months of assuming the director position.

3.25. Board Standards.

In performing their duties, directors and officers shall act as fiduciaries and are subject to insulation from liability as provided for directors of corporations by Texas law and as otherwise provided by the Governing Documents. Directors are required to exercise the ordinary and reasonable care of directors of a corporation, subject to the business judgment rule.

A director shall act in accordance with the business judgment rule so long as the director:

- (a) acts within the expressed or implied scope of the Governing Documents and his or her actions are not *ultra vires*;
- (b) affirmatively undertakes to make decisions which are necessary for the Association's continued and successful operation and, when decisions are made, they are made on an informed basis;
- (c) acts on a disinterested basis, promptly discloses any real or potential conflict of interests (pecuniary or other), and avoids participation in such decisions and actions; and,
- (d) acts in a non-fraudulent manner and without reckless indifference to the Association's affairs.

A director acting in accordance with the business judgment rule shall be protected from personal liability.

Board determinations of the meaning, scope, and application of Governing Document provisions shall be upheld and enforced so long as such determinations are reasonable. The Board shall exercise its power in a fair, nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents.

3.26. Conflicts of Interest; Code of Ethics.

Unless otherwise approved by a majority of the other directors, no Member-elected director may transact business with the Association or any Association contractor during his or her term as

director or within two years after the term expires. A director shall promptly disclose in writing to the Board any actual or potential conflict of interest affecting the directors relative to his or her performance as a director. A director's failure to make such disclosure shall be grounds for removal by a majority vote of the other Board members.

Notwithstanding the above, directors appointed by Declarant may be employed by or otherwise transact business with Declarant or any affiliate of Declarant, and Declarant may transact business with the Association or its contractors.

The initial Board shall create and adopt a written "Code of Ethics" applicable to all directors and officers. The Code of Ethics shall incorporate the above standards and other conduct rules it deems appropriate. At a minimum, the Code of Ethics shall require each officer and director to conduct himself or herself in manner consistent with the Board Standards described in Section 3.25. Each officer and director, as a pre-condition to service, shall acknowledge and agree, in writing, to abide by the Code of Ethics.

#### Article IV Officers

##### 4.1. Officers.

The Association's officers shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among the Board members; other officers may, but need not be Board members. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. Any two or more offices may be held by the same person, except the offices of President and Secretary.

##### 4.2. Election and Term of Office.

The Board shall elect Association officers at the first Board meeting following each annual meeting of the Members, to serve until their successors are elected. Officers may not hold the same office for more than two consecutive terms.

##### 4.3. Removal and Vacancies.

The Board may remove any officer whenever in its judgment the Association's best interests will be served, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

##### 4.4. Powers and Duties.

The Association's officers shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may specifically be conferred or imposed by the

Board of Directors. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

4.5. Resignation

Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

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

All the Association's agreements, contracts, deeds, leases, checks, and other instruments shall be executed by at least two officers or by such other person or persons as may be designated by Board resolution.

4.7. Compensation

The Association shall not compensate officers for acting as such; provided, officers may be reimbursed in the same manner as directors under Section 3.13.

**Article V      Committees**

The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution.

**Article VI      Miscellaneous**

6.1. Fiscal Year.

The Association's fiscal year shall be the calendar year unless the Board establishes a different fiscal year by resolution.

6.2. Parliamentary Rules.

Except as may be modified by Board resolution, *Robert's Rules of Order* (current edition) shall govern the conduct of Association proceedings when not in conflict with Texas law, the Articles of Incorporation, the Declaration, or these By-Laws.

6.3. Conflicts.

If there are conflicts among the provisions of Texas law, the Articles of Incorporation, the Declaration, and these By-Laws, the provisions of Texas law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

6.4. Books and Records.

(a) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any holder, insurer, or guarantor of a Mortgage on a Unit, any Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Unit: the Declaration, By-Laws, and Articles of Incorporation, including any amendments, the rules of the Association, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the Association's office or at such other place within the Community as the Board shall designate.

(b) Rules for Inspection. The Board shall establish rules with respect to:

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

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all Association books, records, and documents and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the Association's expense.

6.5. Notices.

Except as otherwise provided in the Declaration or these By-Laws, all notices, demands, bills, statements, or other communications under the Declaration or these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first class postage prepaid:

(a) if to a Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of such Member's Unit;

(b) if to the Association, the Board, or the managing agent, at the principal office of the Association or the managing agent or at such other address as shall be designated by notice in writing to the Members pursuant to this Section; or

(c) if to any committee, at the Association's principal address or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

6.6. Amendment.

(a) By Declarant. Prior to the conveyance of the first Unit to a Person other than a Builder, Declarant may unilaterally amend these By-Laws. Thereafter, Declarant may unilaterally amend these By-Laws at any time and from time to time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule, or regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Units; or (iii) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure, or guarantee mortgage loans on the Lots. However, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent thereto in writing.

So long as it owns any property subject to the Declaration, Declarant may unilaterally amend these By-Laws for any other purpose, provided the amendment has no materially adverse effect upon the rights of more than 2% of the Members.

(b) By Members Generally. Except as provided above, these By-Laws may be amended only by affirmative vote or written consent, or any combination thereof, of Members entitled to cast at least 75% of the total number of votes in the Association and Declarant's consent, so long as Declarant has the ability to amend these By-Laws as set forth in Section 6.6(a).

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

No amendment may remove, revoke, or modify any right or privilege of Declarant without the written consent of Declarant (or the assignee of such right or privilege).

(c) Validity and Effective Date of Amendments. Amendments to these By-Laws shall become effective upon recording in the Public Records, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within three months of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

(d) HUD/VA Approval. During the Declarant Control Period, HUD or VA shall have the right to veto amendments to these By-Laws if such entity has issued approval of the Community for purposes of insuring mortgages.

**CERTIFICATION**

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Frisco Square Homeowners Association, Inc., a Texas non-profit corporation;

That the foregoing By-Laws constitute the original By-Laws of such Association, as duly adopted at a meeting of the Board of Directors thereof held on the 18th day of October, 2002.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 22 day of Nov, 2002.

Patricia Brown [SEAL]  
Secretary



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ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW  
(THE STATE OF TEXAS) (COUNTY OF COLLIN)  
I hereby certify that this instrument was FILED in the File Number Sequence on the date and the time stamped herein by me, and was duly RECORDED, in the Official Public Records of Real Property of Collin County, Texas on

MAY 13 2005

Brenda Taylor



Filed for Record in:  
Collin County, McKinney TX  
Honorable Brenda Taylor  
Collin County Clerk

On May 13 2005  
At 2:07pm

Doc/Num : 2005- 0063817

Recording/Type:FD 184.00  
Receipt #: 19759