

EXHIBIT E**By-Laws**

Of

**WAXAHACHIE SADDLEBROOK ESTATES
HOMEOWNERS' ASSOCIATION, INC.**

These Bylaws (referred to as the "Bylaws") govern the affairs of Waxahachie Saddlebrook Estates Homeowners Association, Inc., a non-profit corporation (referred to as the "Association") organized under the Texas Non-Profit Corporation Act (referred to as the "Act")

ARTICLE 1**NAME, PRINCIPAL OFFICE, DEFINITIONS**

Section 1.1 **Name.** The name of the Association shall be Waxahachie Saddlebrook Estates Homeowners' Association, Inc. (the "**Association**").

Section 1.2 **Principal Office.** The principal office of the Association in the State of Texas shall be located in Dallas County. The Association may have such other offices, as the Board may determine or as the affairs of the Association may require.

Section 1.3 **Definitions.** Capitalized terms used herein but not defined shall have the same meaning as set forth in the Declaration of Covenants, Conditions and Restrictions for Saddlebrook Estates recorded in the Records of Ellis County, Texas (the "**Declaration**").

ARTICLE 2**ASSOCIATION: MEMBERSHIP, MEETINGS, QUORUM, VOTING, PROXIES**

Section 2.1 **Membership.** The Association shall have two classes of membership, as more fully set forth in the Declaration, the terms of which pertaining to membership are specifically incorporated herein by reference.

Section 2.2 **Place of Meeting.** Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the members as may be designated by the board of directors of the Association (the "**Board**") either within the Property or as convenient thereto as possible and practical.

Section 2.3 **Annual Meetings.** The first meeting of the Association, whether a regular or special meeting, shall be held within one (1) year from the Association's incorporation date. Meetings shall be of the members entitled to vote or their alternates

(the "**Voting Members**"). Subsequent regular Annual Meetings shall be set by the Board on a date and at a time so as to occur no more than one hundred and twenty (120) days prior to and no more than one hundred twenty (120) days after the anniversary date of the incorporation of the Association. At the Annual Meetings, the quorum for conducting business shall be ten percent (10%) of the total eligible combined Class A and Class B Members in the Association.

Section 2.4 Special Meetings. The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting of the Association if so directed by resolution of a majority of a quorum of the Board or upon a petition signed by Voting Members representing at least fifty-one percent (51%) of the total Class A votes of the Association. The notice of any special meeting shall state the date, time, and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

Section 2.5 Notice of Meetings. Except as otherwise provided in the Declaration, written or printed notice stating the place, day, and hour of the meeting of the Voting Members shall be delivered, either personally or by mail, to each Voting Member, no less than five (5) or more than sixty (60) days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting.

In the case of a special meeting or when 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 mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Voting Member at his or her address as it appears on the records of the Association, with postage prepaid.

Section 2.6 Waiver of Notice. Waiver of notice of a meeting of the Voting Members shall be deemed the equivalent of proper notice. Any Voting Member may, in writing, waive notice of any meeting of the Voting Members, either before or after such meeting. Attendance at a meeting by a Voting Member shall be deemed waiver of notice of the time, date, and place thereof, unless such Voting Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted at such meeting unless objection to the calling or convening of the meeting, of which proper notice was not given, is raised before the business is put to a vote.

Section 2.7 Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, a majority of the Voting Members who are present at such meeting, either in person or by alternate, may adjourn the meeting to a time no less than five (5) or more than thirty (30) days from the time the original meeting was called. At the reconvened meeting, a quorum shall constitute ten percent (10%) of the total eligible Class A and Class B votes in the Association, and if such number of votes are present, any business which might have been transacted at the meeting originally called may be transacted. If 10% of the total eligible Class A and Class B votes in the

Association are not present at any such reconvened meeting, then a majority of the Voting Members who are present at such reconvened meeting, either in person or by alternate, may adjourn the meeting to a time no less than three (3) or more than ten (10) days from the time the reconvened meeting was called. At the second reconvened meeting, a quorum shall constitute a majority of the Board. 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 an adjournment, notice of the time and place for reconvening the meeting shall be given to Voting Members in the manner prescribed for regular meetings.

Section 2.8 **Voting.** The voting rights of the members shall be as set forth in the Declaration, and such voting rights provisions are specifically incorporated herein. Except as otherwise specifically provided herein or in the Declaration, the vote allocated to each Lot shall be cast only by the Voting Member.

Section 2.9 **Proxies.** Voting Members may vote by proxy as permitted by the Texas Non-Profit Corporation Act.

Section 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 fifty percent (50%) of the total eligible number.

Section 2.11 **Quorum.** Except as provided in Section 2.7 with respect to adjourned meetings of the Association, the presence in person or by alternate of the Voting Members representing a majority of the total eligible Class A and Class B votes in the Association shall constitute a quorum at all meetings of the Association.

Section 2.12 **Conduct of Meetings.** The President (or, in his absence, any person so designated by the President) shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring at the meeting.

Section 2.13 **Action without a Meeting.** Any action required by law to be taken at a meeting of the Voting Members, or any action which may be taken at a meeting of the Voting Members, may be taken without a meeting if written consent setting forth the action so taken is signed by a number of Voting Members sufficient to take such action as if all Voting Members were present and voted on such action.

ARTICLE 3

BOARD: NUMBER, MEETINGS, POWERS

COMPOSITION AND SELECTION

Section 3.1 **Governing Body; Composition.** The affairs of the Association shall be governed by a Board of directors, each of whom shall have one (1) vote. Except with respect to the initial directors appointed in the Articles of Incorporation, the directors shall

be members or spouses of members; provided, however, no person and his or her spouse may serve on the Board at the same time. In the case of a member which is a corporation or partnership, the person designated in writing to the Secretary of the Association as the representative of such corporation or partnership shall be eligible to serve as a director.

Section 3.2 **Number of Directors.** The number of directors in the Association shall be no less than three (3) or more than five (5). The initial Board shall consist of five (5) directors as identified in the Articles of Incorporation. The Board may be increased in size by majority vote of the then-existing board.

Section 3.3 **Election and Term of Office.**

(a) At the first Annual Meeting following the Development Period, which expires on the earlier to occur of the date that Declarant (1) sells its last Lot, or (2) voluntarily terminates its Class B status, the Voting Members shall elect five (5) directors, who shall be Members, to replace the existing three (3) directors appointed by the Declarant. At such election, two (2) directors shall be elected for an initial term of three (3) years, two (2) directors shall be elected for an initial term of two (2) years and one (1) director shall be elected for an initial term of one (1) year. After the expiration of the initial terms, successors shall thereafter be elected each to serve a term of two (2) years.

(b) Each Voting Member shall be entitled to cast all votes attributable to the Lots which it represents with respect to each vacancy to be filled from each slate on which such Voting Member is entitled to vote. There shall be no cumulative voting. The candidate(s) receiving the most votes shall be elected. The directors elected by the Voting Members shall hold office until their respective successors have been elected by the Association. Directors may be elected to serve any number of consecutive terms.

Section 3.4 **Removal of Directors and Vacancies.** Any director elected by the Voting Members may be removed, with or without cause, by a majority of both the Class A votes and the Class B votes of the Association. 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 then and there be elected by the remaining directors.

Any director elected by the Voting Members who has three (3) consecutive unexcused absences from Board meetings or who is delinquent in the payment of any Assessment or other charge due the Association for more than thirty (30) days may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and a successor may be appointed by the Board to fill the vacancy for the remainder of the term. In the event of the death, disability, or resignation of a director, a vacancy may be declared by the Board, and it may appoint a successor to fill the vacancy for the remainder of the term.

MEETINGS

Section 3.5 **Organizational Meetings.** The first meeting of the Board following each annual meeting of the membership shall be held within sixty (60) days thereafter at such time and place as shall be fixed by the Board.

Section 3.6 **Regular Meetings**. Regular meetings of the Board 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 (1) such meeting shall be held during each fiscal year. Notice of the time and place of the meeting shall be communicated to directors no less than five (5) days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to the holding of such meeting.

Section 3.7 **Special Meetings**. Special meetings of the Board shall be held when called by written notice signed by the President of the Association or by any two (2) directors. The notice shall specify the time and place of the meeting. The notice shall be given to each director by one of the following methods: (a) by personal delivery; (b) written notice by first class mail, postage prepaid; (c) telephone communication, either directly to the director or to a person at the director's office home who would reasonably be expected to communicate such notice promptly to the director; or (d) by fax, charges prepaid. All such notices shall be given at the director's telephone number or sent to the director's address as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least five (5) days before the time set for the meeting. Notices given by personal delivery, telephone, or fax, shall be delivered, telephoned or faxed at least seventy-two (72) hours before the time set for the meeting.

Section 3.8 **Waiver of Notice**. The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

Section 3.9 **Quorum of Board**. At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board. If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors who are present at such meeting may adjourn the meeting to a time no less than five (5) or more than thirty (30) days from the date the original meeting was called. 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.

Section 3.10 **Compensation**. No director shall receive any compensation from the Association for acting as such unless approved by Voting Members representing a majority of the total votes of the Association at a regular or special meeting of the Association; provided any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors.

Section 3.11 **Conduct of Meetings**. The President shall preside over all meetings of the Board, and the Secretary shall keep a minute book of meetings of the Board, recording therein all resolutions adopted by the Board and all transactions and proceedings occurring at such meetings.

Section 3.12 **Action Without a Formal Meeting**. Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by a number of directors sufficient to take such action if all directors were present and voted on such action.

POWERS AND DUTIES

Section 3.13 **Powers**. The Board shall be responsible for the affairs of the Association and shall have all of the powers and duties necessary for the administration of the Association's affairs and, as provided by law, may do or cause to be done all acts and things as are not directed to be done and exercised exclusively by the Voting Members or the membership generally by the Declaration, Articles of Incorporation, or these By-Laws.

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

Section 3.14 **Management**. The Board may employ for the Association a professional management agent or agents at a compensation established by the Board to perform such duties and services as the Board shall authorize. The Board may delegate to the managing agent or manager, subject to the Board's supervision, all of the powers granted to the Board by these By-Laws that can properly be delegated. Declarant, or an affiliate of the Declarant, may be employed as managing agent or manager.

Section 3.15 **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; anything 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) financial reports shall be prepared for the Association at least annually containing:

- (1) an income statement reflecting all income and expense activity for the preceding period on an accrual basis;
- (2) a statement reflecting all cash receipts and disbursements for the preceding period;
- (3) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;
- (4) a balance sheet as of the last day of the preceding period; and
- (5) 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 fifteenth (15th) day following the due date unless otherwise determined by the Board); and

(g) an annual report consisting of at least the following shall be available to all members within one hundred twenty (120) days after the close of the fiscal year: (1) a balance sheet; (2) an operating (income) statement; and (3) a statement of changes in financial position for the fiscal year.

Section 3.16 **Borrowing**. The Board shall have the power to borrow money for the purpose of maintenance, repair or restoration of Common Area without the approval of the Voting Members. The Board shall also have the power to borrow money for other purposes; provided, the Board shall obtain Voting Member approval in the same manner provided in the Declaration for Special Assessments in the event that the proposed borrowing is for the purpose of modifying, improving, or adding amenities and the total amount of such borrowing exceeds or would exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

Section 3.17 Rights of the Association. With respect to the Common Area, and in



Association, and a fine is imposed, the fine shall first be assessed against the occupant; provided, however, if the fine is not paid by such occupant, guest or invitee within the time period designated by the Board, the Owner shall pay the fine upon demand from the Association. The failure of the Board to enforce any provision of the Declaration, By-Laws, or any rule or regulation duly adopted by the Board of Directors of the Association shall not be a waiver of the right of the Board to do so thereafter.

(a) **Notice.** Prior to the imposition of any sanction hereunder, the Board or its delegate shall serve the alleged violator with written notice (the "Notice of Violation") setting forth the following:

- (i) Describe the nature, description and location of the alleged violation and notification that if the violation is corrected within fifteen (15) days from the date of the Notice of Violation, no further action will be taken;
- (ii) Notification that if the violation is not corrected or eliminated within fifteen (15) days from the date of the Notice of Violation, a fine may be imposed and that any attorneys' fees incurred by the Association in eliminating or abating the violation will be charged to the violator's account;
- (iii) The recipient must cease all work which has been deemed a violation and, within fifteen (15) days from the date of the Notice of Violation, must submit the plans and specifications for any such work to the ACC for approval;
- (iv) Failure to cease work which is the subject of the Notice of Violation shall permit the Association to pursue any one or more of the remedies available by law, under the Declaration or these By-Laws; and
- (v) The Notice of Violation shall be sent to the violator by certified mail, return receipt requested, and shall advise the violator that he or she has the right to request a hearing on or before the thirtieth (30th) day after the date the violator receives the Notice of Violation. The hearing, if one is requested in a timely manner, will be held before the Covenants Committee (defined below, if appointed by the Board) or the Board of Directors. In the event a Covenants Committee has been appointed by the Board of Directors, the Notice of Violation shall also advise the violator that the Covenants Committee's

decision may be appealed to the Board of Directors by written notice of appeal as set forth below.

(b) **Hearing.** If a written request for hearing is received by the manager, if any, President or Secretary of the Association on or before the thirtieth (30th) day after the date the violator receives the Notice of Violation, the Covenants Committee, if one is appointed, or the Board of Directors, shall hold a hearing not later than the thirtieth (30th) day after the date of receipt of the written request for hearing. The Covenants Committee or the Board of Directors, as appropriate, shall notify the violator of the date, time and place of the hearing not later than the tenth (10th) day before the date of the hearing. Any notice requirements set forth herein shall be satisfied if a copy of the Notice of Violation, with a statement as to the date and method of delivery, is entered in the minutes of the meeting or, alternatively, if the alleged violator appears at the hearing. The Covenants Committee, the Board or the violator may request a postponement and, if requested, a postponement shall be granted for a period of not more than ten (10) days. Additional postponements may be granted by agreement of the parties. The violator's presence is not required to hold a hearing.

(c) **Appeal.** In the event a hearing has been conducted before the Covenants Committee, the violator shall have the right to appeal the decision to the Board of Directors. In order to perfect this right, a written notice of appeal must be received by the manager, if any, President or Secretary of the Association within ten (10) days after the day written notice of the Covenants Committee's decision is sent to the violator.

(d) **Repeated Violation of the Same Provision of the Declaration, Bylaws or Rules and Regulations of the Association.** Whenever an Owner or occupant, who has previously cured or eliminated a violation after receipt of a Notice of Violation, commits a separate violation of the same provision of the Declaration, By-Laws or rules and regulations of the Association within six (6) months from the date of the first Notice of Violation, the Board shall reinstate the violation and pursue the procedures set forth herein as if the violation had never been cured or eliminated. For purposes of illustration only, in the event an Owner or occupant has cured a violation after having received a Notice of Violation, the second violation of the same provision shall prompt the Board to send notice to the Owner or occupant that a violation fine has been imposed.

Section 3.19 **Additional Enforcement Rights.** The Association, acting through the Board, may elect to enforce any provision of the Declaration, these By-Laws, or the rules and regulations of the Association by self-help or by suit at law or in equity to enjoin any violation or to recover monetary damages or both or an action to foreclose the lien against any Lot without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorneys' fees and expenses actually incurred.

ARTICLE 4 **OFFICERS**

Section 4.1 **Officers.** The officers of the Association shall be a President, Vice President, Secretary, and Treasurer, to be elected from among the members of the Board. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed from time to time by the Board. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

Section 4.2 **Election, Term of Office, and Vacancies.** The officers of the Association shall be elected annually by the Board at the first meeting of the Board following each annual meeting of the Voting Members. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Board for the unexpired portion of the term.

Section 4.3 **Removal.** Any officer may be removed by majority vote of the Board whenever, in the Board's judgment, the best interests of the Association shall be served thereby.

Section 4.4 **Powers and Duties.** The officers of the Association shall each have such powers and duties as generally associated with their respective offices, as well as such powers and duties as may from time to time specifically be conferred or imposed by the Board. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for the preparation of the budget and reports as provided for herein and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

Section 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.

Section 4.6 **Agreements, Contracts, Deeds, Leases, Checks, Etc.** All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two (2) officers or by such other person or persons as may be designated by resolution of the Board.

ARTICLE 5 **COMMITTEES**

Section 5.1 **General.** The Board is authorized to establish committees to perform such tasks and to serve for such periods as may be designated by a resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Each committee established by the Board shall operate in accordance with the terms of the resolution of the Board designating the committee and such rules as are adopted by the Board.

Section 5.2 **Covenants Committee**. The Board may appoint a "**Covenants Committee**" consisting of at least five (5) and no more than seven (7) Voting Members, who shall be appointed to serve a term of one (1) year and may, in the discretion of the Board, be appointed for any number of consecutive terms of one (1) year each. Acting in accordance with the provisions of the Declaration, these By-Laws, and resolutions the Board may adopt, the Covenants Committee, if established, shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to Section 3.18.

ARTICLE 6 **MISCELLANEOUS**

Section 6.1 **Fiscal Year**. The fiscal year of the Association shall be set by resolution of the Board. In the absence of a resolution, the fiscal year shall be equal to the calendar year.

Section 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.

Section 6.3 **Conflicts**. If there are conflicts between the provisions of Texas law, the Articles of Incorporation, the Declaration, and/or these By-Laws, then the provisions of Texas law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

Section 6.4 **Books and Records**.

(a) **Inspection by Members and Mortgagees**. The Declaration, By-Laws, Articles of Incorporation, any amendments to the foregoing, the rules and regulations of the Association, the membership register, books of account, and the minutes of meetings of the members, the Board, and committees shall be made available for inspection and copying by any Owner, or any holder, insurer or guarantor of a first mortgage on a Lot at any reasonable time during reasonable business hours and for a purpose reasonably related to his or her interest in the Lot at the office of the Association or at such other place within the Property as the Board shall prescribe. Any such request must be in writing and shall state the purpose for which the inspection is requested. The Board may impose a reasonable fee for costs of copying any such information, which shall be payable in advance.

(b) **Rules for Inspection**. The Board shall establish reasonable rules with respect to: (1) notice to be given to the custodian of the records; (2) hours and days of the week when such an inspection may be made; and (3) payment of the cost of reproducing copies of documents requested.

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

director includes the right to make extracts and a copy of relevant documents at the reasonable expense of the Association.

Section 6.5 **Notices**. Unless otherwise provided in these By-Laws, all notices, demands, bills, statements, or other communications under 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 or Voting Member, at the address which the member or Voting Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Lot of such member or Voting Member; or

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

Section 6.6 **Amendment**. The Declaration may only be amended pursuant thereto. Except as otherwise specifically provided above and elsewhere in these By-Laws, these By-Laws may be amended only by the affirmative vote or written consent, or combination thereof, of Voting Members representing fifty-one (51%) of the total votes of those members present, in person or by proxy, at a duly convened meeting of the Members of the Association. Notwithstanding the above, the percentage of votes or other approval necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes or other approval required for action to be taken under that clause.

In addition, so long as the Class B membership provided for in Section 5.2(b) of the Declaration exists, Declarant may determine whether any amendment to these By-Laws shall require the prior written approval of HUD or VA.

If an Owner consents to an amendment to these By-Laws, it will be conclusively presumed that such Owner has the authority to so consent and no contrary provision in any mortgage or contract between Owner and a third party will affect the validity of such amendment.

EXHIBIT F
Enforcement Policy
Of
WAXAHACHIE SADDLEBROOK ESTATES
HOMEOWNERS ASSOCIATION, INC.

WHEREAS, the Board of Directors of the Waxahachie Saddlebrook Estates Homeowners Association, Inc. (the "**Association**") finds there is a need to establish orderly procedures for the enforcement of the Rules & Regulations of the Association, the Design Guidelines of the Association and the restrictive covenants set forth in the Declaration of Covenants, Conditions and Restrictions for Saddlebrook Estates (hereinafter referred to, collectively, as the "Saddlebrook Estates **Governing Documents**") against violating owners.

NOW, THEREFORE, IT IS RESOLVED that the following procedures and practices are established for the enforcement of the Saddlebrook Estates Governing Documents and for the elimination of violations of such provisions found to exist in, on and about the property subject to the Saddlebrook Estates Governing Documents (to be referred to herein as the "**Enforcement Policy**").

1. Establishment of Violation. Any condition, use, activity or improvement which does not comply with the provisions of the Saddlebrook Estates Governing Documents, shall constitute a "**Violation**" under this Policy for all purposes.

2. Report of Violation. The existence of a Violation will be verified by a field observation conducted by the Board or its delegate. For the purpose of this Enforcement Policy, the delegate of the Board may include Management, an officer or member of the Board, or a member of any committee established by the Board for this purpose. A timely written report shall be prepared by the field observer for each Violation which will include the following information:

- a. Identification of the nature and description of the Violation(s).
- b. Identification by street address and legal description, if available, of the Lot on which the Violation exists.
- c. Date of the verification observation and name of the person making such observation.

At the same time that the field observation report is prepared, the Board or its delegate may forward to the Owner of the Lot in question written notice via regular class mail or via postcard of the discovery of a Violation(s) (the "**Courtesy Notice**"). The

Owner will have at least ten (10) days from the date of the Courtesy Notice to correct or eliminate the Violation(s). The Board or its delegate may, in lieu of this notice, proceed immediately to the notice set forth in Paragraph 3 below.

3. Notice of Violation. If the Violation is not corrected or eliminated within the time period specified in the Courtesy Notice, or if the Board or its delegate deem it appropriate to proceed without the Courtesy Notice, the Association will forward to the Owner of the Lot in question written notice of the Violation(s) by first class mail or personal delivery and by certified mail, return receipt requested (the "**Notice of Violation**"). A Notice of Violation is not required if the alleged violator received a Notice of Violation relating to a similar Violation within six (6) months of the current Violation and was given a reasonable opportunity to cure the prior Violation. In such event, the Board may impose sanctions as authorized by the Saddlebrook Estates Governing Documents and/or this Enforcement Policy without notice to the Owner other than the Final Notice of Violation described in Paragraph 4 below. The Notice of Violation, if required, will state the following:

a. The nature, description and location of the Violation, including any property damage caused by the Owner.

b. The authority for establishing the Violation, including the authority for recovering property damages caused by the Owner.

c. The proposed sanction to be imposed, including the amount claimed to be due from the owner for property damage, in the event the Violation is not cured within a reasonable time.

d. If the Violation is corrected or eliminated within a reasonable time after the Owner's receipt of the Notice of Violation that no further action will be taken.

e. The recipient may, on or before thirty (30) days from the receipt of the Notice of Violation, deliver to the Association a written request for a hearing.

f. The Owner has the right to submit a written request for a hearing on or before thirty (30) days from the receipt of the Notice of Violation, that any attorney's fees and costs incurred by the Association will be charged to the Owner.

Sanctions under this Paragraph 3 may include, but are not limited to, the suspension of the right to use the Common Area and/or the imposition of violation fines at the rate of Ten and No/100 Dollars (\$10.00) per day until the violation is cured. There shall be no limit to the aggregate amount of violation fines imposed for the same Violation.

4. Final Notice of Violation. A formal notice of the Violation and the sanction to be imposed, including the amount of any property damage (the "**Final Notice of Violation**") will be sent by the Association to the Owner by regular first class mail and by

certified mail, return receipt requested, where, within the time period specified in the Notice of Violation, the Violation has not been corrected or eliminated or the Association has not timely received a written request for a hearing, whichever occurs first.

5. **Request for a Hearing.** If the Owner submits a written request for a hearing in a timely manner, the hearing shall be held in executive session of the Board of Directors affording the alleged violator a reasonable opportunity to be heard. Such hearing shall be held no later than the 30th day after the date the Board or its delegate receives the Owner's request for a hearing. The notice of the hearing shall be sent no later than the 10th day before the date of the hearing. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The Association or the Owner may request a postponement, and, if requested, a postponement shall be granted for a period of not more than ten (10) days. The minutes of the meeting shall contain a written statement of the results of the hearing. The Association shall notify the Owner in writing of its action within ten (10) days after the hearing. The Board may, but shall not be obligated to, suspend any proposed sanction if the Violation is cured within the ten (10) day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions of the Saddlebrook Estates Governing Documents by any Owner.

6. **Correction of Violation.** Where the Owner corrects or eliminates the Violation(s) prior to the imposition of any sanction, no further action will be taken (except for collection of any monies for which the Lot Owner may become liable under this Enforcement Policy and/or the Saddlebrook Estates Governing Documents). Written notice of correction or elimination of the Violation may be obtained from the Board upon request for such notice by the Owner and upon payment of a fee for same, the amount of which is set by the Board.

7. **Referral to Legal Counsel.** Where a Violation is determined or deemed determined to exist and where the Board deems it to be in the best interests of the Association to refer the Violation to legal counsel for appropriate action, the Board may do so at any time. Such legal action may include, without limitation, sending demand letters to the violating Owner and/or seeking injunctive relief against the Owner to correct or otherwise abate the Violation. Attorney's fees and all costs incurred by the Association in enforcing the Saddlebrook Estates Governing Documents and administering this Enforcement Policy shall become the personal obligation of the Owner.

8. **Notices.** Unless otherwise provided in the Enforcement Policy, all notices required by this Enforcement Policy shall be in writing and shall be deemed to have been duly given if delivered personally and/or if sent by United States Mail, first class postage prepaid, to the Owner at the address which the Owner has designated in writing and filed with the Secretary of the Association or, if no such address has been designated, to the address of the Lot of the Owner.

a. Where the notice is directed by personal delivery, notice shall be deemed to have been given, sent, delivered or received upon actual receipt by any person

accepting delivery thereof at the address of the recipient as set forth in such notice or if no person is there, by leaving the notice taped to the front door of the residence.

b. Where the notice is placed into the care and custody of the United States Postal Service, notice shall be presumed to have been given, sent, delivered or received, as of the third (3rd) calendar day following the date of postmark of such notice hearing postage prepaid and the appropriate name and address as required herein unless otherwise shown by the recipient to have been received at a later date.

c. Where a day required for an action to be taken or a notice to be given, sent, delivered or received, as the case may be, falls on a Saturday, Sunday or United States Postal Service holiday, the required date for the action or notice will be extended to the first day following which is neither a Saturday, Sunday or United States Postal Service holiday.

d. Where the Board has actual knowledge that such situation exists, any action to be taken pursuant to this Enforcement Policy which would directly affect the property of a third party or would be the responsibility of a party other than the Owner, notices required under this Enforcement Policy may be given, if possible, to such third party in addition to the Owner. Notwithstanding any notice sent to a third party, the Owner remains the party responsible for compliance with the requirements of the Declaration. The Board shall accept a response from any such third party only upon the written direction of the Owner of the Lot upon which the Violation exists.

e. Where the Owner has notified the Association that the interests of said Owner in a Lot are being handled by a representative or agent of such Owner or where an Owner has otherwise acted so as to put the Association on notice that its interest in a Lot has been and are being handled by a representative or agent, any notice or communication from the Association pursuant to this Enforcement Policy will be deemed full and effective for all purposes if given to such representative or agent.

f. Where an Owner transfer record title to a Lot at any time during the pendency of any procedure prescribed by this Enforcement Policy, such Owner shall remain personally liable for all costs under this Enforcement Policy. As soon as practical after receipt by the Association of a notice of a change in the record title to a Lot which is the subject of enforcement proceedings under this Enforcement Policy, the Board may begin enforcement proceedings against the new Owner in accordance with this Enforcement Policy. The new Owner shall be personally liable for all costs under this Enforcement Policy which are the result of the new Owner's failure and/or refusal to correct or eliminate the Violation in the time and manner specified under this Enforcement Policy.

9. Cure of Violation During Enforcement. An Owner may correct or eliminate a Violation at any time during the pendency of any procedure prescribed by this Enforcement Policy. Upon verification by written report to the Board and sent, where appropriate, to the Board that the Violation has been corrected or eliminated; the Violation will be deemed no longer to exist. The Owner will remain liable for all costs under this

Enforcement Policy, which costs, if not paid upon demand therefor by Management, will be referred to the Board of Directors of the Association for collection.

10. **Definitions.** The definitions contained in the Saddlebrook Estates Governing Documents are hereby incorporated herein by reference.

IT IS FURTHER RESOLVED that this Enforcement Policy is effective upon adoption hereof, to remain in force and effect until revoked, modified or amended by the Board of Directors.

This is to certify that the foregoing Enforcement Policy was adopted by the Board of Directors at a duly convened meeting held on the _____ day of _____ 200____, and that the same shall be filed of record in the Real Property Records of _____ County, Texas.

DATE: _____ Secretary

EXHIBIT F-1**Disclosure by Declarant**

By its acquisition and ownership of a Lot in the Property, each Owner acknowledges that:

(a) due to the topography of its Lot and the Property, water will, at times, flow through and over portions of its Lot from adjacent and surrounding Lots in order to achieve positive drainage away from all applicable Lots. No adverse action may be taken by said Owner(s) to the detriment of this positive drainage on its or adjacent Lots.

(b) the property adjacent to Saddlebrook Estates is not owned or controlled by Declarant and it has hereby been advised to consult with the applicable departments of the City for any changes to and/or specific zoning information regarding its Lot, the Property and the zoning or proposed (re-)zoning of any adjacent property. It is also understood that there are no oral, written or implied representations or warranties regarding zoning or development of the Property or adjoining properties.

(c) its Lot may have "back-to-front" or "front-to-back" drainage. There may be a swale or swales over various portions of its Lot due to this drainage situation. The depth and width of any swales will vary depending on the elevations of its and adjacent Lots. The front and the rear portions of its Lot will not be level and no adjustments to the depth or severity of any swales should be made due to cosmetic or aesthetic concerns. Any alterations made after closing to any swales by an Owner may impact the drainage as well as any foundation warranty that it may own.

(d) Its lot falls within the boundaries of Waxahachie Public Improvement District #1 (the PID). The district serves to pay for the creation and administration of the District and for the design, acquisition, and construction of district improvements. The District includes an assessment schedule as follows:

**WAXAHACHIE PUBLIC IMPROVEMENT DISTRICT NO. 1
RESIDENTIAL AND COMMERCIAL SPECIAL ASSESSMENTS**

<u>LOT TYPE</u>	<u>ASSESSMENT (without interest)</u>
<u>Residential Lots</u>	
(sf1) 12,500 square feet or greater	\$8,426.00 per lot
(sf2) 8,000 – 12,499 square feet	\$7,095.00 per lot
(sf3) Less than 8,000 square feet	\$6,320.00 per lot
<u>Commercial Lots</u>	
(mf) Multifamily	\$15,875.00 per acre
Duplex	\$2,970.00 per lot
	\$4,433.00 per lot

(e) its lot falls under the jurisdiction of the Waxahachie Saddlebrook Estates Homeowners' Association, which requires mandatory affiliation thereto, including the payment of an annual fee (which may be payable on a quarterly or other basis) per Section 6.3 of the Declaration. In conjunction therewith, a proforma budget reflecting an estimate of the Association's expenses for the first full year of operation are attached. It will also incur a working capital contribution fee and a transfer fee per Section 6.5 of the Declaration, which it understands should be further reviewed for more detailed information regarding Association dues, assessments and restrictions.

(f) it understands and agrees that neither Declarant nor Builder has any responsibility as to the present condition or future maintenance of any trees on its Lot. Furthermore, it is understood that neither

Declarant nor Builder makes any assurances, implied or stated, in regard to the survival of any trees during the construction process of building and completing a Residence on its Lot. It is also acknowledged that neither Declarant nor Builder has any liability consideration on trees either during construction or after a Residence is purchased and occupied on the Lot. It is further understood that each Owner assumes all responsibility for the maintenance and the condition of any trees on his Lot.

(g) any modifications or additions to its Residence or any Structure on its Lot requires prior submittal to and approval of plans and specifications by the Association's ACC pursuant to the Declaration. It is also understood that failure to so comply may result in the imposition of fines against the Owner and/or the removal of such modifications or additions at Owner's expense.

(h) there is no prescribed time for the construction or marketing by Builder or Declarant of a Residence on any Lot or the Lot itself. It is also understood that Builder and Declarant make no assurances regarding any established period of time during which Lots near the model homes or trailers of any Builder will remain vacant since the use of such homes or trailers is of an indeterminate length of time.

(i) it should direct any issues, concerns or questions regarding the Common Area or the Association to the Managing Agent, whose name can be obtained by contacting the Builder or Declarant.

EXHIBIT F-2**Budget****INCOME**

Annual Assessments (4543 lots @ \$395 per year) includes	1,794,485
Miscellaneous Income/Late Fees/NSF Fees	5,000
Interest Income	2,000
Total Income	1,801,485

EXPENSES**Utilities**

Electricity	130,000
Water/Sewer	200,000
Telephone 911 Call Boxes - Pools	28,000
Total Utilities	358,000

Landscape Maintenance/Common Area	200,000
Landscape Maintenance/Walking Trails	35,000
Landscape Maintenance/Neighborhood & Community Park	67,000
Landscape Maintenance/Fields/Playgrounds	30,000
Landscape Improvement/Color	70,000
Irrigation Repairs	30,000
Electrical Repairs/Maintenance	10,000
Screening Wall Maintenance/Entry Features	40,000
Bridge Repairs/Maintenance	10,000
Pond(s)/Fountain(s) Maintenance	60,000
Main Amenity Center #1-Pool(s) Service	40,000
Main Amenity Center #1-Pool(s) Maintenance/Supplies	22,000

Main Amenity Center #1-Cabana Maintenance/Supplies	7,500
Amenity Center #2-Pool(s) Service	35,000
Amenity Center #2-Pool(s) Maintenance Supplies	20,000
Amenity Center #3-Pool(s) Service	35,000
Amenity Center #3-Pool(s) Maintenance Supplies	20,000
Amenity Center #4-Pool(s) Service	35,000
Amenity Center #4-Pool(s) Maintenance Supplies	20,000
Holiday Decorations/Lighting	7,500
Common Area Maintenance/Cleaning	80,000
Total Common Areas/Facilities Maintenance	874,000

General & Administrative

Professional Management	150,000
Legal Fees	30,000
Legal Fees Billed Back	-25,000
Audit & Accounting	5,000
Administrative Supplies/Postage	65,000
Homeowner Functions/Social Events	15,000
Web Site/Newsletter	12,000
Total General & Administrative	252,000

Insurance & Taxes

Property & Liability Insurance	80,000
Umbrella Liability Insurance	3,000
D & O Insurance	3,000
Corporate Income Tax	5,000
Property Tax	2,500
Total Insurance & Taxes	93,500

TOTAL EXPENSES	1,577,500
OPERATING SURPLUS (DEFICIT)	223,985
LESS: RESERVE CONTRIBUTION	100,000
NET SURPLUS (DEFICIT)	123,985

EXHIBIT F-3**Budget Narrative****Waxahachie Saddlebrook Estates
Homeowner's Association
Budget****INCOME**

Annual Dues	Estimate of association dues at \$275 per year.
Late Charges/NSF Fees	Other income collected from delinquent dues.
Interest Income	Interest income generated from operating account.

EXPENSES

Electricity	Estimate for common area electricity service.
Water/Sewer	Estimate for common area water service.
Irrigation Repairs	Estimate for common area sprinkler repairs.
Landscape Maintenance	Current landscape maintenance contract.
Landscape Improvements/ Color/Trees	Estimate for color changes in the common area, and other landscape additions and replacements.
Canal Maintenance	Estimate for treatment of the canals for algae.
Pool Maintenance Service	Estimate for scheduled pool service contract.
Pool Supplies/Repairs	Estimate for cost of repairs to the pool and pool chemicals.
Pool Telephone	Estimate for pool emergency 911 call boxes.
Pool Permit	Estimate for annual health department pool permit.
Playground Maintenance	Estimate for playground maintenance and repair.
Pest Control	Estimate for extermination around the pool area during the swimming season.

Electrical Repairs	Estimate for common area lighting repairs.
Common Area Maintenance/ Cleaning	Estimate for miscellaneous common area repairs, maintenance and porter services.
Professional Management	Contract for professional management services by SBB Management Company.
Legal Fees	Estimate for Association legal expense.
Audit & Accounting	Estimate for an independent audit of the balance sheet and the related statements of revenue and expense.
Office Supplies/Newsletter	Estimate for supplies necessary for Association business such as postage, homeowner mailings, printing and other miscellaneous expenses and printing on the homeowner newsletter.
Website Expenses	Estimate for annual maintenance of the HOA website.
Bank Fees	Estimate for association bank account.
Homeowners Functions	Estimate for homeowner functions, annual meeting facility and social events.
Association Insurance Property, Liability, Directors & Officers	The premium costs for insurance required by the Declaration of Covenants, Conditions and Restrictions (i.e., Property and Liability Insurance, Directors and Officers Insurance).
Property Taxes	Estimate of Property Taxes.
Franchise Taxes	Estimate of Franchise Taxes.
Reserve Funding	Estimate of surplus allocated for future replacements.
Operating Surplus (Deficit)	Operating surplus or net deficit.

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EXHIBIT G
PUBLIC IMPROVEMENT DISTRICT #1

(See Attached)