

Mystic Shores Property Owners Association
Board of Directors Election Process
Effective November 5, 2015

The following process has been adopted by the Board of Directors ("Board") of the Mystic Shores Property Owners Association ("Association") for election of directors to serve on the Association Board. This process is intended to comply with the Association's governing documents and all applicable laws, including without limitation, the Association's Articles of Incorporation, Amended and Restated By-Laws ("By-Laws"), Declaration of Covenants, Conditions and Restrictions ("DCCRs") and Texas Property Code ("TPC") Chapter 209.

(1) Eligibility for the Board

- (a) Any Mystic Shores property owner ("Owner") may be a candidate for a position on the Board ("Candidate"), except as provided in paragraph (1)(b) below.
- (b) If the Board is presented with written, documented evidence from a database or other record maintained by a governmental law enforcement authority that a Board member was convicted of a felony or crime involving moral turpitude, not more than 20 years before the date the Board is presented with the evidence, the Board member is immediately ineligible to serve on the Board, automatically considered removed from the Board, and prohibited from future service on the Board. (TPC § 209.00591(b))

(2) Becoming a Board Candidate

- (a) At least 10 days before the Association disseminates proxies to Association members (Owners) for purposes of voting in a Board member election, the Association must provide notice to Owners soliciting candidates interested in running for a position on the Board. (TPC §209.00593)
 - i. This notice must contain instructions for an eligible candidate to notify the Association of the Candidate's request to be placed on the ballot and the deadline to submit the Candidate's request. The deadline may not be earlier than the 10th day after the date this notice is provided to Owners.
 - ii. This notice must be:
 - 1) Mailed to each Owner; or
 - 2) Provided by:
 - A. Posting the notice in a conspicuous manner reasonably designed to provide notice to Owners:
 - (i) In a place located on the Association's common property; or
 - (ii) On the Association's website (www.mysticshorespoa.com); and
 - B. Sending the notice by email to each Owner who has registered an email address with the Association.
- (b) The Association shall include on each ballot, and on any proxy form, disseminated by the Association for a board member election the name of each eligible Candidate from whom

the Association received a request to be placed on the ballot in accordance with paragraph (2)(a) above. (TPC §209.00593)

- (c) An Owner also may notify the Board or the management company in writing (including by email) that he or she is a Candidate at any time prior to the annual meeting. If the Board or management company receives notice from an eligible Candidate at least 10 business days prior to the annual meeting, that Candidate's name will be placed on the ballots disseminated at the annual meeting.
- (d) Nominations for Candidates will be accepted from the floor at the annual meeting in accordance with By-Laws § 3.4. An Owner may nominate himself or herself.
- (e) The Board may be contacted at board@mysticshorespoa.com. The management company may be contacted via mail or email at the addresses stated on the Association's website – www.mysticshorespoa.com.
- (f) The Board may, but is not required to, establish a Nominating Committee under By-Laws § 3.4. If a Nominating Committee is established, (1) the By-Laws require that a Board member be chairperson of the Committee, (2) Committee members will be announced to the Owners and (3) a member of the Committee will be required to submit the Committee's nominations at the annual meeting.
- (g) The By-Laws provide for five directors, who are elected to serve two year terms. (By-Laws § 3.5(b) – see June 10, 2004 amendment)

(3) Communications With Owners

- (a) Owners who notify the Board or the management company by the deadline determined by the Board each year that they would like to be Candidates will be contacted by the Board or the Communications Committee and requested to submit short biographical statements ("Bios") to the Association's Communication's Committee or Board to be included (i) in one of the Association's newsletters, (ii) in an "eblast" to Owners who have provided the Association with a current email address or (iii) in the mailing to Owners with the annual meeting materials. Candidates will be given a deadline to submit their Bios and Bios may be limited in length due to space limitations. Bios received by the deadline also will be posted on the Association's website. The Board may, in its discretion, permit longer bios to be posted on the website. Candidates will be notified of any space limitation on Bios. An Owner is not required to submit a Bio to be a Candidate.
- (b) If the Social Committee or the Board hosts a "Meet the Candidates" event, all announced Candidates will be invited to participate.
- (c) Candidates and other Owners may communicate with Owners regarding Candidates as they consider appropriate; however, all Candidates and Owners are requested to be considerate of other Owners in any communications.
- (d) Candidates and their representatives will not be allowed to hand out campaign materials inside, or within twenty (20) feet of, the place where the annual meeting is being held.

(4) Annual Meeting Materials

- (a) The Association is required to mail notice of the annual meeting to Owners, at the addresses on file with the management company, at least 10 and not more than 60 days prior to the annual meeting. (By-Laws § 2.10; TPC § 209.0056)
- (b) The Board expects to mail the annual meeting notice to Owners 30-45 days prior to the annual meeting, together with other annual meeting materials that typically will include:
 - i. Notice of the meeting
 - ii. Agenda
 - iii. Proxy form
 - iv. Instructions for delivery of the proxy form
 - v. Other information as determined by the Board
- (c) A copy of the annual meeting materials will be posted on the Association's website promptly after the mailing.
- (d) The Board will list in the proxy form all Candidates who have notified the Board or the management company that they are running for a position on the Board at least 60 days prior to the annual meeting.¹

(5) Voting at the Annual Meeting

- (a) In accordance with TPC § 209.00592 and the Association's By-Laws, an Owner may vote for the election of Board members or other matters on the annual meeting agenda to be voted on by Owners in person or by proxy.
- (b) Each Owner is entitled to one vote for each lot owned in Mystic Shores on the business day before the annual meeting. If a lot is owned by more than one person or an entity is not an individual (natural person), only one vote is allowed. Votes for lots owned by a partnership, limited liability company, corporation, trust or other entity may be exercised by any officer, director, member, manager, partner, trustee or other individual designated from time to time by the Owner in a written instrument delivered to the secretary of the Association. (By-Laws § 2.3; DCCRs §§ 3.1-3.2)
- (c) The management company will conduct the election for directors at the annual meeting and has provided its current procedures to the Association, which are attached as Appendix A, for registration of Owners and tabulation of votes at the annual meeting.²

¹ In order to meet the printing and mailing schedule for the annual meeting materials, it is anticipated that the notice required by paragraph (2)(a) above will be provided to Owners approximately 90 days before the annual meeting date.

² Please note that in Appendix A: (1) "Directed Proxy" means the proxy form that will be included in the annual meeting materials, (2) "Restricted Proxy" means a Directed Proxy that permits the Proxy Holder to vote only as directed by the Owner signing the proxy and (3) "Unrestricted Proxy" means a Directed Proxy that permits the Proxy Holder to vote in his or her discretion.

These procedures are designed to ensure that each lot in Mystic Shores has one vote in the election and all proxies and ballots are accurately counted. The management company will check each Directed Proxy and ballot received against its list of Owners of record to verify that only one vote per lot owned is counted for the Owner signing the proxy or ballot. The management company may, from time to time, revise such procedures.

(d) Owners voting in person or by proxy at the annual meeting will be given a ballot form when they register for the meeting. Each ballot voted at the meeting must be in writing and signed by the Owner or Proxy Holder (as defined below) casting the vote.
(TPC § 209.0058)

(e) Cumulative voting is not permitted. (By-Laws § 3.4(b))

(f) Owners may not be disqualified from voting at an annual or special meeting of the Association. (TPC § 209.0059)

(6) Voting by Proxy

(a) The annual meeting materials will include a proxy form, which will allow an Owner to authorize a person of their choice (or if no person is named, an officer or director of the Association who is not a Candidate will be the default person) (in either case, the "Proxy Holder") to vote for specific Candidates or to write in the name of a Candidate not listed in the proxy form. The proxy form also will include an option to restrict the Proxy Holder from voting on any other matter that may be presented at the meeting for Owner voting.

(b) Owners who are not attending the annual meeting and wish to vote by proxy are strongly encouraged to use the proxy form mailed by the Association and posted on the Association's website. The proxy form must be signed and dated by the Owner to be valid.

(c) Instructions for delivery of proxies will be provided in the annual meeting materials. It is expected that signed and dated proxies may be delivered by any of the following:

i. By mail, hand delivery or facsimile to the Association's management company, before 10:00 am on the business day prior to the annual meeting, in a manner that allows the management company to confirm the identity of the submitting Owner and, if by electronic transmission (facsimile), allows the Owner to receive a receipt from the management company of the electronic transmission that includes the Owner's proxy. (TPC § 209.00592(d))

ii. By emailing as an attachment from an email previously provided to the Association by an Owner so that the Association can verify the email is from an Owner.

iii. By hand delivery to the Association's management company representatives at the annual meeting.

(d) The management company has advised the Board that it will not act as a Proxy Holder for Owners. Proxies naming the management company as Proxy Holder will be counted only for purposes of determining a quorum for the meeting.

(e) An Owner who wishes to revoke a previously signed and dated proxy may do so by delivering another signed proxy form to the management company with a later date prior to

the annual meeting date or during the registration period immediately prior to the annual meeting.

(7) Tabulation of Votes and Access to Proxies and Ballots

- (a) The management company will tabulate all votes, whether in person or by proxy, at the annual meeting, in accordance with that company's procedures included in Appendix A (which may be revised by the management company from time to time).
- (b) The management company may be assisted in the vote tabulation by meeting tellers if requested by the company. Candidates and other persons related to a Candidate within the third degree by consanguinity or affinity, or living in the same household as a Candidate may not be meeting tellers. Only vote tabulators (which includes meeting tellers) may have access to proxies or ballots cast in the election. Vote tabulators may not disclose to any other person how an Owner voted, except in compliance with a court order. (TPC § 209.00594)
- (c) If there are more nominees than open director positions, the nominees receiving the highest number of votes will be elected as directors of the Association. For example, if there are three open positions, the three nominees receiving the three highest numbers of votes will be elected as directors. If there is an unexpired term position to be filled, the nominee receiving the next highest number of votes after the two year term positions are filled will be elected to fill the unexpired term; provided that the elected directors may agree among themselves that a director elected to a two year term will fill the unexpired term and the director elected to the unexpired term will have a two year term.
- (d) In case of a tie vote, the Owners present in person or by proxy at the meeting will vote again on the two tied candidates and the person receiving the most votes will be elected as a director.

(8) Recount of Votes

- (a) Any recount of votes must be conducted in accordance with TPC § 209.0057, which requires, among other things, that any demand for a recount be made in writing, in the manner specified in that section, not later than the 15th day after the later of (i) the date of the election or (ii) the date the election results are announced..
- (b) The Owner requesting the recount must pay estimated expenses of the recount prior to the recount. The Association will reimburse the Owner for the expenses only if the recount changes the results of the election. (TPC § 209.0057(c) & (d))

Approved by the Board of Directors
Mystic Shores Property Owners Association
November 5, 2015