

**CUMBERLAND RIDGE HOMEOWNERS ASSOCIATION, INC.  
POLICY REGARDING DOCUMENT RETENTION**

1. **Purpose:** The purpose of this Policy is to adopt guidelines for the Association governing the retention of documents. This Policy shall apply to all Agents of the Association, as defined below. The Association finds that this Policy strikes an appropriate balance between the need to retain information and the burden of storing and keeping track of numerous documents, while complying with applicable legal requirements.
  
2. **Definitions:** As used in this Policy, the following definitions shall apply:
  - a. **Association** - Cumberland Ridge Homeowners Association, Inc., a Texas non-profit corporation.
  
  - b. **Agent** - All of the Association's current and past officers and directors; agents, employees, third-party contractors, and volunteers; any other person acting for the Association in the past or present; and any other person in possession of Association Records, regardless of whether the relationship with the person is formal or informal, written or verbal.
  
  - c. **Association Records** - All documents (including electronic records) owned by the Association, including but not limited to those specifically identified in the paragraph below entitled "Document Retention." The phrase shall include not only hard copies, but also electronic mail, instant messages, records of web transactions and communications sent from handheld devices; documents and/or records stored using any backup systems; archived media; and all other automated or manual systems for storage and management of documents and information. The phrase shall include any documents or records owned by the Association but in the possession of an Agent, but shall not include any documents or electronic records owned by an Agent or third party.
  
  - d. **Owner** - An owner of real property in the Cumberland Ridge Subdivision in Smith County, Texas.
  
3. **Document Retention:** The Association shall retain the following documents for the period set forth for each respective category:
  - a. **Governing Documents** - Certificates of formation, bylaws, restrictive covenants, policies, procedures, rules, and all amendments to any of those documents shall be retained permanently.
  
  - b. **Title Documents** - All deeds, deeds of trust, lien documents, certificates of title, bills of sale, documents filed with the deed records, and all other documents evidencing acquisition, ownership, or transfer of any motor vehicles, real property, or other significant assets shall be retained permanently.
  
  - c. **Banking Records** - Banking books and records, including but not limited to bank statements, cancelled checks, and deposit slips, shall be retained permanently.

- d. Annual Financial Reports: Periodic financial reports, including but not limited to annual budgets, balance sheets, profit and loss reports, general ledgers, year end statements, and similar documents, shall be retained permanently.
- e. Other Financial Records: Other financial records, including invoices and receipts for expenses; and other hard copies or computerized records of the Association's finances, shall be retained for at least ten years.
- f. Mass Communications - General communications such as newsletters or announcements, where an identical copy is sent to all owners or to groups of owners such as those residing in a specific unit, section, or phase, shall be retained for at least seven years.
- g. Records of Transactions with Specific Owners - Records of transactions with specific owners shall be retained for at least five years. This phrase shall include but not be limited to account records of current and past owners, correspondence (including electronic communications) between the Association and the Owner, records of all charges, payments, and credits for that owner; and all letters, electronic communications, and other correspondence between the Association and that specific Owner (but shall not include Mass Communications). Account records with an unpaid balance owed by the Owner to the Association shall be retained until paid in full, or until the Board declares the remaining balance to be uncollectible. Any balance that is rendered uncollectible by a final court order or judgment shall automatically be considered uncollectible. Contracts between the Association and a specific Owner (including Alternative Payment Plans) shall be retained for at least seven years after the expiration of the contract, or after all terms of the contract have been fulfilled (whichever is later).
- h. Donations: Records of donations of all endowment funds or restricted funds, donations that are the subject of a written agreement with the donor, and records of significant donations (\$500.00 or more) shall be retained permanently.
- i. Contracts With Third Parties - Contracts with parties other than Owners with a term of one year or more, and other records regarding that specific party (including but not limited to all invoices, receipts, and payment records), shall be retained for at least four years after the expiration of the contract term, or after all terms of the contract have been fulfilled (whichever is later).
- j. Loan Documents - Any account statements, records of payment, and records of interest paid for loans shall be retained for at least four years after the loan is paid in full. Promissory notes or other loan agreements, along with proof that a loan was paid in full, shall be kept permanently.
- k. Insurance Documents - Insurance policies and declarations pages shall be retained for at least seven years after the expiration of the policy. Documents relating to any claims submitted to insurers (whether the Association's insurers or otherwise) shall be retained for at least seven years after the claim is fully determined.
- l. Minutes - Minutes of meetings of the owners, board, and any committees, and written consent forms adopted in lieu of a formal meeting, shall be retained for at

least seven years. Minutes reflecting amendment of the Association's Governing Documents shall be retained permanently.

- m. Committee Minutes - All minutes of meetings of the Association's committees shall be retained for at least seven years.
- n. Building Permits, etc. - Building permits, applications submitted seeking approval of the Association or a committee for building, repairing, or altering homes or improvements, approvals of such applications, applications and approvals for variances, and all similar documents shall be retained permanently.
- o. Ballots - Ballots cast by Owners, whether in elections of officers and directors or in considering other measures to be approved or rejected by the Owners, shall be discarded within thirty days after the Board formally approves the results of the election at a properly called meeting and includes such approval in the minutes of that meeting. However, if a formal challenge has been properly made to the election or if a recount has been properly requested, the Association shall retain the ballots cast in that election until thirty days after the challenge and/or recount is fully and finally resolved.
- p. Tax and Audit Records - Tax returns and audit records shall be retained for at least seven years. Letters from the Internal Revenue Service, Texas Comptroller, Smith County Appraisal District, or any other taxing entity with authority over the Association shall be retained for at least seven years, except that any such letters including a formal determination of the tax status of the Association or its property shall be retained permanently. Audit reports shall be retained permanently. Cancelled checks and other documentation of payments made to any taxing authority shall be retained permanently.
- q. Records of Gains or Losses - If the Association has claimed a gain or loss with regard to a specific asset on any tax return, then all records of the acquisition cost, cost of any improvements, and sales price of the asset shall be retained for at least seven years after the gain or loss is included in a tax return.
- r. Communications with the Association's Attorney - All communications with the Association's attorney shall be retained permanently.
- s. Court Records - All records of any lawsuit to which the Association was a party shall be retained permanently. This includes but is not limited to all pleadings and motions filed by any party; all correspondence regarding that lawsuit; all discovery requests and responses; all interlocutory and final judgments, orders, and decrees; and all other documents received from or sent to the opposing party or parties or from the Court. This policy shall not require the Association to obtain any such records if they do not come into its possession in the course of the lawsuit. If the Association's attorney has possession of such documents, then the Association shall be considered in compliance with this policy.
- t. Personnel Records - All records regarding the Association's employees, including but not limited to payroll records, evaluations, correspondence, and employment forms completed by or in regards to any full or part time employee of the

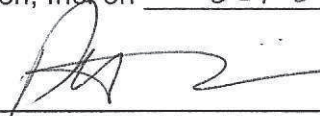
Association, shall be retained for at least seven years after the respective employee's employment with the Association terminates. All applications for employment shall be retained for at least four years.

- u. Other Documents - All other documents shall be retained for a period determined in the sole discretion of the Board.
4. **Backup:** The Association's officers, directors, and employees shall take reasonable steps to back up electronic records.
  5. **Document Destruction:** After the expiration of the retention period for any specific document or group of document, the Association may elect either to retain or to destroy that document or group of documents.
  6. **Electronic Copies:** With approval from the Board, the Secretary or other officer or director may destroy paper copies of a document, if a true and correct electronic copy of that document is retained. No one shall destroy an original document, if it is advisable for the Association to keep the original (examples include but are not limited to deeds, signed contracts, certificates of title, ballots, and Governing Documents). If a Litigation Hold is in effect, then it shall not be permissible to destroy paper copies even if an electronic copy is kept.
  7. **Litigation Hold:** A Litigation Hold shall be implemented if the Association becomes a party to a lawsuit, if a subpoena is served on the Association, if notification of an audit or government investigation of any type is received, if the Association reasonably anticipates litigation, an audit, or investigation, or if for any other reason there is a need to preserve information because of possible legal action. If a Litigation Hold is implemented, then the Association and its Agents shall not destroy or alter any Association Records until its attorney has advised the Association that the proposed destruction or alteration is permissible. If the Association or any of its Agents receives notification of any such circumstances, then the person receiving such notification shall notify the President and/or Secretary, who shall notify all other Agents that the Litigation Hold prohibits any person from destroying or altering Association Records. The Association should require an acknowledgment by each person receiving such notification, and should maintain records of such notifications and acknowledgments. As soon as possible, the President and/or Secretary should contact the Association's attorney for advice on complying with all legal requirements.
  8. **Delivery of Association Records** - Within thirty days after a person ceases to serve as an office, director, employee, volunteer, committee member or chair, or other agent of the Association, that person shall deliver all Association Records in his or her possession to the Association's Secretary. The person shall also destroy any additional copies of confidential information in his or her possession. The Secretary may deliver the Association Records or copies thereof to the person's successor. If any person fails to deliver the Association Records to the Secretary, then within seven days of receiving a request from the Association, that person shall deliver all Association Records in his or her possession to the Association. Any third-party contractor or other person in possession of Association Records shall also deliver any Association Records requested by the Association, within seven days of receiving a request.

9. **Implementation:** The Association's Secretary and Treasurer shall be primarily responsible for implementation of and compliance with this Policy. The Secretary's responsibilities with regard to this Policy shall include informing the other officers, directors, employees, agents, and third party contractors of this Policy; supervising and coordinating the retention and destruction of documents pursuant to this Policy; and documenting the actions taken to maintain and/or destroy organization documents and retaining such documentation.

**CERTIFICATION**

I hereby certify that the foregoing Policy was duly adopted by the Board of Directors of the Cumberland Ridge Homeowners' Association, Inc. on OCT 29, 2012.



**PETER MARINO**, President

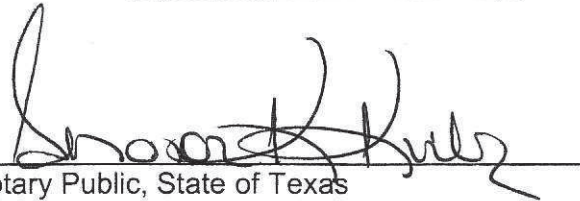
STATE OF TEXAS

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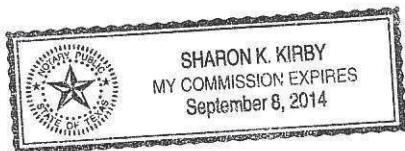
COUNTY OF SMITH

This instrument was acknowledged before me on OCTOBER 29, 2012 by

PETER MARINO.



Notary Public, State of Texas



Filed For Record in:  
Smith County, Texas  
On Oct 29, 2012  
at 11:09A  
Receipt #: 632325  
Recording: 32.00  
Doc/Num : 00049000  
Doc/Type: Recordings - Land  
Deputy - Debra Berry

I hereby certify that this instrument was filed and duly recorded in the Official Records of Smith County, Texas

Karen Phillipis  
County Clerk