

Corporate Secretary's Certificate

Community Improvement Association of Shadow Bay, Inc.

The undersigned certifies that she is the duly appointed and acting Secretary of COMMUNITY IMPROVEMENT ASSOCIATION OF SHADOW BAY, INC., (the "Association"). The Association is the property owners' association for SHADOW BAY, SECTION ONE, a subdivision in Montgomery County, Texas, according to the map or plat thereof of record in Cabinet A, Sheet 172A et seq. of the Map Records of Montgomery County, Texas (the "Subdivision").

The Subdivision is subject to certain dedications, covenants and restrictions (the "Restrictions") set out in the recorded plat of the Subdivision and as set out in a declaration dated October 31, 1979, of record in Volume 1170, Pages 566, et seq., of the Deed Records of Montgomery County, Texas, and in instrument dated March 27, 1995, of record in the Official Public Records of Real Property of Montgomery County, Texas under Clerk's File No. 9516125 and Film Code No. 052-00-1019.

The Association is a Texas nonprofit corporation, and true and correct copies of the Association's Articles of Incorporation and current By-Laws are attached to this certificate.

Additionally, the Board of Directors of the Association has promulgated certain rules, regulations and policies (the "Rules") relating to the Board's interpretation and enforcement of the Restrictions. A true and correct copy of the Rules is attached to this certificate.

Signed this 24 day of February, 2000.

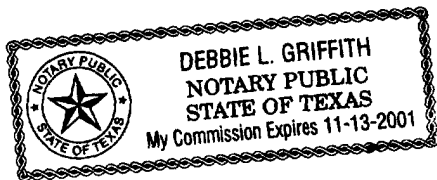
Sarah Price

SARAH PRICE, Secretary of Community Improvement Association of Shadow Bay, Inc.

State of Texas §

County of Montgomery §

Sworn to and subscribed to before me on the 24 day of February, 2000, by Sarah Price.



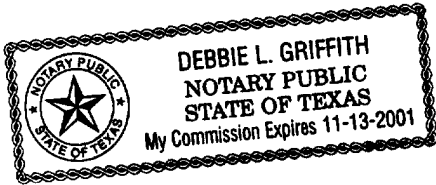
Debbie L. Griffith
Notary Public in and for the State of Texas

664-00-0943

THE STATE OF TEXAS §

COUNTY OF MONTGOMERY §

This instrument was acknowledged before me on the 24th day of February, 2000,
by Sarah Price, Secretary of Community Improvement Association of Shadow Bay, Inc., a Texas
non-profit corporation, on behalf of said corporation.



Debbie L. Griffith
Notary Public in and for the State of Texas

664-00-0944

In the Office of the
Secretary of State of Texas

FEB 27 1989

Corporations Section

ARTICLES OF INCORPORATION
OF
COMMUNITY IMPROVEMENT ASSOCIATION OF SHADOW BAY, INC.
A NON-PROFIT CORPORATION

The undersigned natural person of legal age, who is a citizen of the State of Texas, acting as incorporator of a corporation under the Texas Non-profit Corporation Act, does hereby adopt the following articles of incorporation for such corporation:

ARTICLE I

The name of the corporation (hereinafter called the association) is Community Improvement Association of Shadow Bay, Inc.

ARTICLE II

The association is a non-profit corporation.

ARTICLE III

The period of its duration is perpetual.

ARTICLE IV

The specific primary purposes for which the association is formed are to provide for maintenance, preservation, and architectural control of the residence lots and common area within a certain subdivided tract of real property described as follows:

The Replat of SHADOW BAY, Section One (1), a subdivision of 87.507 acres of land out of the Neil Martin Survey, A-26, and the William Weir Survey, A-42, Montgomery County, Texas, according to the map or plat thereof recorded in Cabinet C, Sheet 172, of the Map Records of Montgomery County, Texas, a residential real estate development.

To promote the health, safety, and welfare of the residents within the above-described subdivision and such additions thereto as may hereafter be brought within the jurisdiction of the association for such purpose.

In furtherance of such purposes, the association shall have power to:

- (a) Perform all of the duties and obligations of the association as set forth in the Restrictive Covenants in force upon and against the subdivision and recorded in the Real Property Records of Montgomery County, Texas.
- (b) Affix, levy, and collect all charges and assessments pursuant to the terms of the declaration of covenants, and enforce payment thereof by any lawful means; and pay all expenses in connection therewith, and all office and other expenses incident to the conduct of the business of the association, including all licenses, taxes, or governmental charges levied or imposed on the property of the association, legal fees, and accounting fees, and any expenditure, which in the judgment of the Board of Directors, will tend to maintain values in the subdivision;
- (c) To accept such real property, personal property, or mixed property, in compromise, settlement, and accord, of such levies, charges, and assessments as the Board of Directors shall, from time to time, deem in the best interest of the association.
- (d) Acquire (by gift, purchase, or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate to public use, or otherwise dispose of real and personal property in connection with the affairs of the association;
- (e) Borrow money and, subject to the consent by vote or written instrument of two-thirds of the members, mortgage, pledge, convey by deed of trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;
- (f) Dedicate, sell, or transfer all or any part of the common areas to any municipality, public agency, authority, or utility for such purposes and subject to such conditions as may be agreed upon by the members. No such dedication or transfer shall be effective unless an instrument has been signed by two-thirds of the members, agreeing to such dedication, sale, or transfer.

- (g) Participate in mergers and consolidations with other nonprofit corporations organized for the same purposes, or annex additional residential property and common areas, provided that any merger, consolidation, or annexation shall have the consent by vote or written instrument of two-thirds of the members;
- (h) Have and exercise any and all powers, rights, and privileges that a corporation organized under the Texas Non-profit Corporation Act by law may now or hereafter have or exercise.

Notwithstanding any of the above statements of purposes and powers, this association shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the primary purpose of this association.

The association is organized and shall be operated exclusively for the aforementioned purposes. The activities of the association shall be financed by assessments on members as provided in the Restrictive Covenants in force upon said subdivision and the By-Laws of the association, and no part of any net earnings shall inure to the benefit of any member. Provided, however, the association may pay reasonable compensation to officers for services rendered pursuant to R.C.S. ART. 1396-2.24 Section A as the same may be amended from time to time and all other applicable law.

ARTICLE V

** The street address of the initial registered office of the association is 3421 West Davis, Suite 110, Conroe, Texas 77304, and the name of its initial registered agent at such address is Robert L. Rice.

ARTICLE VI

Every person or entity who is a record owner of a fee or undivided fee interest in any lot which is subject by covenants of record to assessments by the association, including contract sellers, but excluding persons holding title merely as security for performance of an obligation, shall be a member of the association. Membership shall be appurtenant to and may not be separated from ownership of a lot which is subject to assessment by the association.

**Amended on October 14, 1990, Annual Meeting of membership to read the registered agent office shall be the Secretary of the Community Improvement Association of Shadow Bay, Inc.

ARTICLE VII

The association shall have one class of voting members as follows:

Members shall be all fee simple owners of record with the exception of the declarant as such term is defined in the declaration, and shall be entitled to one vote for each lot owned. When more than one person holds an interest in any lot, all such persons shall be members. The vote for such lot shall be exercised as such members may determine among themselves, but in no event shall more than one vote be cast with respect to any lot owned by members.

ARTICLE VIII

The number of directors constituting the initial board of directors of the association is seven, and the names and addresses of the persons who are to serve as the initial directors are:

<u>Name</u>	<u>Address</u>
Jim Holt	3-D, Shadow Bay Willis, Texas 77378
Gary Irwin	Box 1-A, Shadow Bay Willis, Texas 77378
Betty Hazlett	Box 8-D, Shadow Bay Willis, Texas 77378
Marie Jackson	P. O. Box 1255 Willis, Texas 77378
Joe Mann	Box 3-A, Shadow Bay Willis, Texas 77378
George McMillan	Box 12-F, Shadow Bay Willis, Texas 77378

ARTICLE IX

On dissolution, the assets of the association shall be distributed to an appropriate public agency to be used for purposes similar to those for which the association was created. In the event such distribution is refused acceptance, such assets shall be granted, conveyed, and assigned to any nonprofit corporation, association, trust, or other organization organized and operated for charitable, educational, religious, or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended. In the event of dissolution or liquidation of the corporation, whether voluntary or involuntary, the Board of Directors shall first pay or make provisions for the payment of all liabilities of the corporation before any disposition of the assets pursuant to this paragraph. Under no circumstance shall the assets of the association, on dissolution, be distributed to its members.

ARTICLE X

The name and street address of each incorporator is:

<u>Name</u>	<u>Address</u>
Robert L. Rice	Suite 110, 3421 West Davis Conroe, Texas 77304

ARTICLE XI

The association shall indemnify its past and present directors, officers, employees and agents to the fullest extent required by law, and may so indemnify them as permitted by the By-laws of the association from time to time in effect, and may purchase indemnity insurance against any liability asserted against any such person and incurred by him in such a capacity or arising out of his status as such a person, whether or not the association would have the power to indemnify him against that liability by law.

ARTICLE XII

To the fullest extent not prohibited by law, a director of this association shall not be liable to the association or its members for monetary damages for an

act or omission in the director's capacity as a director, except that this article does not eliminate or limit the liability of a director for: (1) a breach of a director's duty of loyalty to the association or its members; (2) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law; (3) a transaction from which a director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office; (4) an act or omission for which the liability of a director is expressly provided for by statute; or (5) act related to an unlawful stock repurchase or payment of a dividend.

ARTICLE XIII

This corporation is organized pursuant to the Texas Non-profit Corporation Act and does not contemplate the distribution of gains, profits, or dividends to the members, directors, or officers thereof.

Executed at Conroe, Texas, on the 24th day of February, 1989.


Robert L. Rice

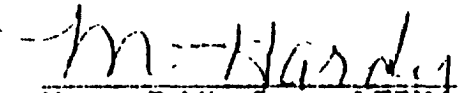
THE STATE OF TEXAS 0

COUNTY OF MONTGOMERY 0

I, M HARDY, a Notary Public, do hereby certify that on February 23, 1989, personally appeared before me Robert L. Rice, who being by me first duly sworn, severally declared that he is the person who signed the foregoing document as incorporator, and that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year above written.

Notary's Printed Name and
Commission Expiration Date:


Notary Public, State of TEXAS



664-00-0950



The State of Texas
Secretary of State

FILED
In the Office of the
Secretary of State of Texas
APR 19 1995
Corporations Section

ANTONIO G. GARZA, JR.
SECRETARY OF STATE

CHARTER NO. 01106199-01
ARTICLE 9-01, T.N.P.C.A. REPORT
FILING FEE \$5.00

PURSUANT TO THE PROVISIONS OF ARTICLE 9-01 OF THE TEXAS NON-PROFIT CORPORATION ACT, THE UNDERSIGNED CORPORATION HEREBY FILES ITS REPORT SETTING FORTH:

- THE NAME OF THE CORPORATION IS:
COMMUNITY IMPROVEMENT ASSOCIATION OF SHADOW BAY, INC.
- IT IS INCORPORATED UNDER THE LAWS OF: TEXAS
- THE STREET ADDRESS OF THE REGISTERED OFFICE OF THE CORPORATION IN THE STATE OF TEXAS IS: 14443 W. LFF SHORF DR. WILLOW, TX 77378 (MAKE ANY CHANGES HERE)
- ITS REGISTERED AGENT AT SUCH ADDRESS IS: JO ANN BRADLEY (MAKE ANY CHANGES HERE)
- IF A FOREIGN CORPORATION, THE STREET ADDRESS OF ITS PRINCIPAL OFFICE IN THE STATE OR COUNTRY UNDER THE LAWS OF WHICH IT IS INCORPORATED IS:

6. THE NAMES AND RESPECTIVE ADDRESSES OF ITS DIRECTORS OR TRUSTEES, ETC., AND OFFICERS ARE: (NAME AT LEAST 3)

NAME	TITLE	ADDRESS
Jim Holt	PRESIDENT	13307 BEIGOOD
George McMillan	Chairman - Arch, tectural	13534 N. LEE STOR
Leo Massey	Vice PRESIDENT	14249 W. Shadow Bay Willow, TEXAS 77378

7. THE FOREGOING INFORMATION IS GIVEN AS OF THE DATE OF THE EXECUTION OF THIS REPORT:

DATED April 10, 19 95

Community Improvement Assoc of
NAME OF CORPORATION
BY Jo Ann Bradley
(SIGNATURE)
ITS Sec Treasurer
(TITLE OF OFFICER SIGNING)

RECEIVED
SECRETARY OF STATE
APR 19 1995
CORPORATIONS SECTION

NOTE: ALL ITEMS MUST BE COMPLETED. MAKE CHANGES TO ITEMS 3 AND 4 AS NECESSARY. RETURN TO SECRETARY OF STATE, CORPORATIONS SECTION, P.O. BOX 13497, AUSTIN, TEXAS 78711-3497 WITH A \$5.00 FEE

Community Improvement Association of Shadow Bay
Bylaws
Revised September 1999

RECORDER'S MEMORANDUM.

At the time of recordation, this instrument was found to be inadequate for the best photographic reproduction because of illegibility, carbon or photo copy, discolored paper, etc. All black-outs, additions and changes were present at the time the instrument was filed and recorded.

Table of Contents

Article 1 – Association	1
1.01 Name and Offices	1
1.02 Purposes and Powers	1
1.03 Fiscal Year	1
Article 2 - Definitions	1
Article 3 – Qualifications for Membership	2
3.01 Voting Membership	2
3.02 Proof of Membership	2
3.03 Additional Qualifications	3
Article 4 – Voting Rights	3
4.01 Voting	3
4.02 Proxies	3
4.03 Quorum	3
Article 5 – Meetings of Members	4
5.01 Annual Meetings	4
5.02 Special Meetings	4
5.03 Notice of Meeting	5
5.04 Purpose of Membership Meeting	5
5.05 Passage of Resolution	5
5.06 Unanimous Written Consent	6
Article 6 – Board of Directors	6
6.01 Number and Eligibility	6
6.02 Term	7
6.03 Removal	7
6.04 Vacancies	7
6.05 Resignation	7
6.06 Powers and Duties (includes "Assessments" section).	
Section 1	7
Section 2	8
Section 3	9
Section 4	9
Section 5	9
Section 6	10
Section 7	10
6.07 Fees	10
Section 1	10
Section 2	10
Section 3	11
Section 4	11
Section 5	11
Section 6	11

Section 7	12
Article 7 – Election of Board of Directors	12
Article 8 – Meetings of Directors	12
8.01 Regular Meetings	12
8.02 Special Meetings	12
8.03 Quorum	13
8.04 Voting Requirement	13
8.05 Open Meetings	13
Article 9 – Committees	13
9.01 Appointed by Board of Directors	13
9.02 Authority of Committees	14
9.03 Discharge of Committees and Committeemen	14
Article 10 – Officers of the Board of Directors	14
10.01 Enumeration of Officers	14
10.02 Term	14
10.03 Resignation and Removal	14
10.04 Multiple Offices	15
10.05 Compensation	15
Article 11 – President	15
11.01 Duties	
Article 12 – Vice President	15
12.01 Duties	
Article 13 – Secretary	16
13.01 Duties	
Article 14 – Treasurer	16
14.01 Duties	
Article 15 – Books and Records	16
15.01 Maintenance	
15.02 Inspection	
Article 16 – Amendments	17
Article 17 – Indemnification	17
17.01 Definitions	17
17.02 Indemnification	18
17.03 Successful Defense	19
17.04 Determinations	19
17.05 Advancement of Expenses	19
17.06 Employee Benefit Plans	20
17.07 Other Indemnification and Insurance	20
17.08 Notice	20

17.09 Construction	20
17.10 Continuing Offer, Reliance, etc.	20
17.11 Effect of Amendment	21
Article 18 – Corporate Seal	21
Article 19 – Signatures	21

Bylaws of
Community Improvement Association of Shadow Bay, Inc.

ARTICLE 1**ASSOCIATION****1.01****NAME AND OFFICES**

The name of the corporation is **COMMUNITY IMPROVEMENT ASSOCIATION OF SHADOW BAY, INC.**, hereinafter referred to as the "Association". The principal office of the Association shall be located within the Shadow Bay Subdivision (the "Subdivision"), which is located on the east side of Lake Conroe between FM 1097 and Wier Creek. The mailing address shall be Post Office Box 1209, Willis, Texas, 77378.

1.02**PURPOSES AND POWERS**

This Association shall be a non-profit organization whose purpose shall be promoting civic and community welfare and pride among the residents of Shadow Bay, Section One, encouraging and enforcing the restrictive regulations and covenants of said Subdivision conducive to good planning and the sustaining of property values therein, securing desirable improvements and benefits for the Subdivision; fostering and assisting in the general civic and social enterprises and activities which may be beneficial to the community and such other purposes, express or implied, as are contained in the Articles of Incorporation. The Association shall have such powers as are necessary or required to carry out its purposes, together with the powers conferred upon a property owners association by Chapter 204 of the Texas Property Code.

1.03**FISCAL YEAR**

The fiscal year of the Association shall begin on July 1st of each calendar year and extend through June 30th of the following year.

ARTICLE 2**DEFINITIONS**

2.01. "Association" shall mean and refer to **COMMUNITY IMPROVEMENT ASSOCIATION OF SHADOW BAY, INC.**, its successors and assigns.

2.02. "Properties" shall mean and refer to all or any part of that certain real property located in Shadow Bay, Section one, a subdivision in Montgomery County, Texas,

according to the Re-plat thereof, dated the 20th day of February 1981 and filed for record Cabinet C, Sheet 72a of the Map Records of Montgomery County, Texas.

2.03. "Common Area" shall mean all real property owned by the Association and/or dedicated for the common use and enjoyment of the Owners, including, but not limited to, boat ramps and parking areas.

2.04. "Lot" shall mean and refer to any numbered or lettered Lot shown on the recorded Re-plat of the Subdivision and any further subdivision of any reserve area.

2.05. "Record Owner" for any given Lot in the Subdivision shall mean that person with the most recent recorded deed in the Real Property Records of Montgomery County, Texas for such Lot in such person's name.

2.06. "Restrictive Covenants" shall mean and refer to the most current restrictions applicable to the Properties as recorded in the Deed and/or Real Property Records of Montgomery County Texas.

2.07. "Voting Member" shall mean and refer to those persons entitled to voting Membership as provided in Article 3 herein.

ARTICLE 3

QUALIFICATIONS FOR MEMBERSHIP

3.01

VOTING MEMBERSHIP

The "Voting Member" entitled to vote each Lot in the Subdivision shall, subject to all eligibility requirements contained herein, be either the Record Owner as provided in Section 3.02 hereof, or the Purchaser under a Contract for Deed as provided in Section 3.02 hereof, but not both.

Subject to all eligibility requirements there shall be one vote for each Lot in the Subdivision.

3.02

PROOF OF MEMBERSHIP

The following shall be deemed to have proved membership:

(a). The Record Owner who has provided a true copy of the applicable and most recently recorded Deed in his name together with his mailing address and telephone number to the Secretary of the Board of Directors who has endorsed the same "officially accepted" for registration; or

(b). The Purchaser named in a "Contract for Deed" with such Record Owner as is named in paragraph (a) above, for the purchase of a Lot under such Contract for Deed,

a true copy of the applicable and most recent Contract for Deed in his name, together with his mailing address and telephone number to the Secretary of the Board of Directors who has endorsed the same "officially accepted" for registration.

The Secretary and the Board of Directors shall be entitled to rely fully upon the last of such "officially accepted" filings for all purposes including notice pursuant to Section 3.03, hereof and sending maintenance fees statements and past due notices.

3.03

ADDITIONAL QUALIFICATIONS

To be eligible to vote any given Lot each Voting Member shall prior to the casting of any such vote be required to pay all fees, costs, charges, and other sums required to be paid by the Board of Directors pursuant to these Bylaws and charged to each Lot officially accepted for registration in his name by the Secretary of the Board of Directors, pursuant to Section 3.02 and this Section 3.03.

Any voting Member not current with payment of such required dues, fees, etc., with respect to any Lot duly registered in his name with the Secretary of the Board of Directors as provided in these Bylaws at the time to cast such vote(s) shall be denied the right of vote for that Lot. Any person who occupies any Lot as a tenant not under a Deed or Contract for Deed shall have no right to vote.

ARTICLE 4

VOTING RIGHTS

4.01

VOTING; NUMBER OF VOTES

Each eligible Voting Member duly registered pursuant to Article 3 hereof shall be allowed one (1) vote for each respective Lot so registered on each matter submitted to a vote of the members.

4.02

PROXIES

Proxy vote shall be allowed only by signature of an eligible Voting Member and only on official proxy forms provided by the Board of Directors.

Elections of Directors of the Association may be conducted by mail in such manner as prescribed by the Board of Directors.

4.03

QUORUM

Subject to Article 5, business may be conducted at any meeting of the Members, provided one twentieth (1/20) of all eligible Voting Members, five (5) of whom must be Directors, are present in person or by proxy.

ARTICLE 5**MEETINGS OF MEMBERS**

Robert's Rules of Order shall be followed at all meetings of the Members.

5.01**ANNUAL MEETINGS**

The Annual meeting of the membership shall be held on the third (3rd) Sunday in October of each year or at such other time as may be determined by the Board of Directors without requirement of call.

The Quarterly meeting of the membership shall be held on the second (2nd) Sunday of each quarter without requirement of call, except in October, at the time and place designated in the notice thereof to the members by the Board.

5.02**SPECIAL MEETINGS**

Special meetings of the membership may be called by the President, the Board of Directors, or upon written request submitted to the President or Secretary and signed by no less than 10% of the eligible Voting Members to vote certified by the Secretary as of the date of the request (the record date). Such request shall state the reason therefor. Such reason must be a matter that can properly be voted on by the Voting Members. Whether or not such matter is a matter properly subject to the vote of the Voting Members shall be determined by the Board of Directors. The President, or in the President's absence, the Vice President, upon receipt of such request shall call a special meeting to be held within thirty (30) days of such receipt.

5.03

NOTICE OF MEETINGS

Notice of meetings. The Secretary shall give, or cause to be given, by First Class Mail, postage prepaid, at the last best address, as of ten (10) days prior to mailing date (the record date), shown on the records of the Secretary of the Association, to all eligible voting members, written notice of any such regular or certified and called special meeting of the membership not less than 10 days nor more than 50 days prior to the date of such meeting. In addition such notice shall be posted in one (1) public place in the Subdivision. All such notices shall state the place, day, and hour of the meeting, the purpose of the meeting called, including the agenda thereof, and, where applicable, the slate of any nominees for directorships.

5.04

PURPOSE OF MEMBERSHIP MEETING

The express purpose of membership meetings, annual, quarterly, or special, is to provide an opportunity for eligible voting members to properly address the membership in attendance and/or to properly address the chair.

Except as provided herein only matters properly upon the agenda included in the notice of any meeting of the membership will be heard at any such meeting; provided however, there shall be a 10 minute maximum presentation time allowed to each person named on the agenda. Only matters upon which Voting Members are eligible to vote will be heard from the floor at any such meeting provided that the same are on the agenda therefor. In order to have a proper matter placed upon the agenda by the President for any given meeting, a written request must be received by the President of the Board of Directors a minimum of five (5) days prior to the date of any such meeting. Such written request shall be signed by not less than five (5) eligible Voting Members provided a full disclosure has been made to each.

Any request certified by the Board of Directors as proper matter for such meeting and eligible to be voted upon by the membership shall be placed upon the agenda for the meeting. Matters not on the agenda for any given meeting may nevertheless be heard during such meeting upon waiver of the agenda requirement by secret written ballot of a majority of the Board Members in attendance at such meeting. Anything contained herein to the contrary notwithstanding, nominations for directorship of the Association may be made from the floor during the annual meeting by any eligible Voting Member. Write-in candidates shall be accepted from eligible Voting Members on the official proxy forms and ballots provided the Members by the Board of Directors.

5.05

PASSAGE OF RESOLUTION

All action to be taken by the membership shall be upon resolution, preceded by motion duly seconded and supported by a majority of all eligible votes cast.

Only eligible Voting Members shall have the right to address the chair during any meeting of the membership of the Association.

5.06

UNANIMOUS WRITTEN CONSENT

Subject to applicable law, any action required by the Texas Non-Profit Corporation Act to be taken at a meeting of the members or directors of the Association, or any action which may be taken at a meeting of the members or directors or of any committee, may be taken without a meeting if a consent in writing, setting forth the action to be taken, shall be signed by all members entitled to vote with respect to the subject matter thereof, or all of the directors, or all of the members of the committee, as the case may be.

Such consent shall have the same force and effect as a unanimous vote, and may be stated as such in any Articles or document filed with the Secretary of State of Texas under the Texas Non-Profit Corporation Act.

ARTICLE 6

BOARD OF DIRECTORS

6.01

NUMBER AND ELIGIBILITY

The Board of Directors shall consist of nine (9) Directors, selected as hereinafter set out.

At the time of nomination and election of any Director and at all times during such Director's term the following shall be the requirements for eligibility, to-wit:

- (a) An eligible Voting Member; and
- (b) Duly elected or appointed pursuant to these Bylaws and
- (c) To take the following oath of office, which shall be administered by a person authorized under Texas law to administer oaths at a ceremony, called for that purpose. The oath of office shall read as follows:

I hereby swear or affirm that in the exercise of my office I shall do my best to always do what is right and just, to always treat my neighbors fairly and charitably without favoritism or bias, and to always promote peace among the Members of this Association."

Provided however, any director may cure a defect in eligibility under subparts (a) within 15 days notice from the Board of Directors of such deficiency. If the defect in eligibility is not cured within such 15-day period, the directorship shall be declared vacant.

6.02

TERM

Each Board Member shall serve a three (3) year term to the effect that three (3) candidates shall be elected each year.

6.03

REMOVAL

Any Board Member may be removed from office by the Board of Directors, when in its judgment the best interest of the Association shall be served by such removal. The Director who is subject to a motion for removal shall abstain from voting thereon. Any Board Member removed from office pursuant to these Bylaws shall automatically cease to serve as officer.

6.04

VACANCIES

If a vacancy occurs or is declared by the Board of Directors in the position of a director, the remaining directors may appoint a successor for the balance of the term vacated.

6.05

RESIGNATION

Any Board Member 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 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.

6.06

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. The Board of Directors shall be the governing body of the Association with full rights and authority to determine policy, outline, plan and carry into execution all business, activities, and policy, to enter into and execute all necessary agreements and instruments incident thereto in the name of the Association, and shall constitute, together with their proper delegates and agents, the exclusive representatives of the Association. In addition to the foregoing powers, the Board shall be authorized to institute, as well as settle or compromise, in the name of the Association or otherwise any necessary legal proceedings to carry into effect the purpose and policies of the Association whether against Members or others, or to enforce, or prevent violations of, the covenants or restrictions applicable to the Subdivision; and to employ legal counsel in connection with any of the foregoing, together with the power to do any and all things

necessary and appropriate to achieving the purposes of the Association including but not limited to the following, to-wit:

(a). Adopt and publish rules and regulations governing the use of the Common Area, private streets and roadways, and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) Suspend the voting rights and right to use of the recreational facilities of a Member during any period in which such Member shall be in default in the payment of any type of assessment levied by the Association;

(c) Exercise for the Association all powers, duties and authorities vested in or delegated to this Association and not reserved to the Membership by other provisions of these Bylaws, the Articles of Incorporation or the recorded Restrictive Covenants. These powers shall include but not be limited to authorizing and expending the maintenance fund for the benefit of the Association as set forth in the Restrictive Covenants and these Bylaws; and

(d) Declare the office of a Member of the Board of Directors to be vacant in the event such Member shall be absent from three (3) consecutive regular meetings of the Board of Directors or if it is in the best interest of the Association; and

(e) Employ managers, outside professional services, including but not limited to attorneys at law, certified public accountants, security guards, independent contractors and such other employees as the Board may deem necessary, and to prescribe their duties and authorities.

(f) To compromise, settle and defend claims and lawsuits on behalf of the Association whether against Members or others and to employ legal counsel for these purposes.

(g) To accept properties, Lots, and reserve areas within the Subdivision in lieu of payment of delinquent maintenance and similar fees, or other claims of the Association against Record Owners, in the negotiating, settlement, and compromising of claims and litigation on behalf of the Association.

Section 2. It shall be the duty of the Board of Directors to:

(a) Cause to be kept a complete record of all its acts and corporate affairs and to make the same available pursuant to Article 15 of these Bylaws;

(b) Supervise all officers, agents and employees of this Association, and to see that their duties are properly performed.

(c) Fix the amount of any additional or increased fee, or similar cost against any Lot as provided in Article 6 hereof;

(d) Issue, or cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not an assessment has been paid. A reasonable charge shall be required in advance by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) Procure and maintain adequate liability and hazard insurance on property owned by the Association;

(f) Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) Cause the Common Area to be maintained;

(h) Promulgate reasonable rules and regulations regarding the use of all properties including, but not limited to, regulating the posting of "For Sale" signs on the Properties;

(i) Timely collect or cause to be collected all fees, costs, charges, interest, claims, and accounts receivable owed to this Association, resorting to all legal means necessary therefor;

(j) Perform all duties and exercise all lawful powers to guarantee a democratic governing of the Association and to preserve the peace and goodwill among its Members.

(k) Perform any and all other duties imposed by applicable law.

Section 3. In no case shall any contract to use or dispose of any real or personal property belonging to the Association valued in excess of \$500.00 be made without the majority vote in favor thereof by all voting Members eligible to vote thereon.

Section 4. No Officer or Director shall sign any deed, mortgage, bond, obligation, or other documents transferring the rights or assets of the Association property valued in excess of \$500.00 without the affirmative vote of a majority of the eligible Voting Members present and voting in person or by proxy at a meeting of the members; provided however, this provision shall not be construed to prohibit the payment or satisfaction of usual and customary bills by the Board of Directors.

Section 5. Contracts for purchase, repairs, restoration, or for any outside service in excess of \$1,000.00 shall, except in the case of actual emergencies, have three bids submitted to the Board of Directors for approval, rejection and/or selection of choice. Two of such bids must be from non-Members. A Member's bid may not be accepted unless at least one of the other two non-Member bids is higher in absolute cost. All bids must be upon substantially the same plans, specifications, or request. Bids may be accepted only from Voting Members in good standing, provided however, the Board of Directors, may accept services, goods, or products, needed by or for the benefit of the Association in settlement of delinquent maintenance or similar fees. In such instance the bidding requirements shall be waived but such goods, services, or products must be certified by the Board of Directors as to their worth. This Section 5 shall not apply to professional services including, but not limited to, legal, accounting, and engineering services.

Section 6. Contracts for purchase, repairs, restoration, or for outside services of \$1,000.00 or less may be accepted by the Board of Directors for approval, rejection, and/or selection of choice without necessity of a bidding process.

Section 7. To accept and review written complaints or communications from eligible Voting Members and when deemed necessary or appropriate to take action thereon directly by Board action, or when required, by Membership meeting.

6.07 FEES

Section 1. The monthly and special fees, together with interest, cost, and reasonable attorney's fees shall be a charge on the land and a continuing lien on each Lot against which such assessment is made. Each such assessment, together with interest, costs, and reasonable attorney's fees shall also be the personal obligation of the person or persons who own the Lot by recorded deed at the time the assessment fell due, but such personal obligation for past due maintenance fees shall not pass to the successors in title of such Record Owner unless expressly assumed by such successors in a subsequent Deed or Contract for Deed. In no event however, shall such express assumption eliminate, modify, or mitigate the personal obligation of the person or persons who owned the applicable Lot by recorded Deed at the time the assessment fell due.

Section 2. All Record Owners of Lots shall pay monthly fees and special fees as established and to be collected as hereinafter provided. The purpose of the monthly fees levied by the Board of Directors shall be exclusively to promote the health, safety, welfare, and recreation of the residents in the Subdivision, and for the improvement and maintenance of the Common Areas and the Lots situated in the Subdivision. Monthly fees shall be for the following purposes and the Board of Directors shall acquire and pay for out of the funds derived from the monthly fees, the following:

- (a) Maintenance and repair of the Common Area; and
- (b) Water, sewer, garbage, electrical, lighting, telephone, gas, and other necessary utility service, all where and when applicable, for the Common Area; and
- (c) Acquisition of furnishings and equipment for the Common Area as may be determined by the Board of Directors, including without limitation, all equipment, furnishings, and the personnel necessary or proper for the use of recreational facilities; and
- (d) Maintenance and repair of storm drains and streets and roads within the Subdivision not maintained by governmental authority; and
- (e) Fire Insurance covering the full insurable replacement value of the Common Area with extended coverage; and
- (f) Liability insurance insuring the Association against any and all liability to the public, to any owner, and to the invitees or tenants of any owner arising out of their

occupation and/or use of the Common Area. The policy limit shall be set by the Board of Directors and shall be reviewed at least annually and increased or decreased in the discretion of the Board of Directors; and

(g) Worker's compensation insurance to the extent necessary to comply with applicable law and any other insurance deemed necessary by the Board of Directors of the Association; and

(h) A standard fidelity bond covering all Members of the Board of Directors of the Association and all other employees of the Association in an amount to be determined by the Board of Directors if the same is deemed necessary; and

(i) Any other materials, supplies, furniture, labor, services, maintenance, repairs, structural alterations, insurance, taxes, or fees which the Association is required to secure or pay pursuant to the terms of these bylaws, of the recorded restrictive covenants or by law, or which shall be necessary and proper in the opinion of the Board of Directors of the Association, subject to the limitations set forth in these Bylaws, for the operation of the Common Areas, for the benefit of the Lot owners, or for the enforcement of the Restrictive Covenants.

Section 3. The fee for regular maintenance (as distinguished from extraordinary) shall be in the sum of \$9.60 per month per Lot or such sum as may be increased from time to time in accordance with the Restrictions and these Bylaws. In no event shall the Board of Directors increase any regular maintenance fee more than 10% in any six (6) month period.

Section 4. Any increase in the monthly fee other than increases authorized above in Section 3 shall require prior approval of the Members in good standing voting in person or by proxy at the annual or quarterly meeting of the Members or at a special meeting thereof called for that purpose.

Section 5. To evidence the existence of delinquent fees (of any and all kind or character), interest, and similar costs, the Board shall, after 10 days written notice and demand, cause a notice of lien to be filed against the Lot or Lots of each delinquent Record Owner. Said lien shall secure payment of all unpaid fees, costs, attorney fees, filing fees, interests, similar costs, and related fees. If such fees are not collected upon the filing of such lien the Board shall proceed to collection of the same by applicable litigation.

Section 6. All fees shall be due in advance on the first (1st) day of the month and shall be delinquent after the sixth (6th) day of each month. All delinquent fees shall bear such penalties and interest at the rate of 10% per annum and a \$10.00 late charge after each quarter.

Section 7. In addition to the monthly fees authorized above, the Board of Directors may levy in any assessment year, a special assessment applicable to that year only for the purpose of defraying in whole or in part, the cost of any construction, reconstruction, repair, or replacement of a capital improvement on the Common Area, including fixtures and personal property related thereto. Any such assessment must be approved by a majority vote of the eligible Voting Members, voting in person or by proxy at a meeting of the members.

ARTICLE 7

NOMINATION OF DIRECTORS

ELECTION OF BOARD OF DIRECTORS

7.01. The four (4) elected officers of the Board of Directors shall appoint a Nominating Committee of five (5) Voting Members in good standing not less than sixty (60) days prior to the annual meeting of the membership each year. The Nominating Committee so appointed shall elect a slate of qualified nominees for the directorships to be filled and shall file a written report thereof with the President and Secretary not less than thirty (30) days before the date of the annual meeting who shall certify and post the same in one (1) public place within the Subdivision.

7.02 Subject to Article 6 hereof, the election of the Directors shall be held at the annual meeting of the Membership and shall in all cases be by written ballot. The nominee receiving the majority of the eligible votes cast in person, by proxy and by mail shall be declared elected.

ARTICLE 8

MEETINGS OF DIRECTORS

Robert's Rules of Order shall be followed at all meetings of the Board of Directors.

8.01 Regular Meetings

The regular monthly meeting of the Board of Directors shall be held on the first Tuesday of each month at 7:00 PM at such place as is from time to time designated by the Board in the notice therefor which shall be placed in one public place within the Subdivision.

8.02 Special Meetings

Special meetings of the Board of Directors may be called by the President or in the President's absence, the Vice President or by any five (5) directors, to be held at the time and place designated in the notice thereof, which notice shall be given to the directors, not less than two (2) days before the date of such meeting, by telephone call, personal delivery, or personal communication.

Emergency meetings of the Board of Directors shall be held in the same manner as special meetings except that the notice requirement shall be two (2) hours.

8.03 Quorum

A Majority of the members then constituting the Board of Directors present in person or by proxy shall constitute a quorum for any meeting of the Board.

Attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting was not lawfully called or convened.

8.04 Voting Requirement

All action to be taken by the Board of Directors shall be upon resolution, preceded by motion duly seconded and supported by a majority vote of all non-interested Directors. The President shall abstain from voting except for tie breaking.

8.05 Open Meetings

All meetings shall be open meetings. Open meetings shall be construed to mean that such meetings may be attended by eligible Voting members; provided however that the Board of Directors may by majority vote retire to Executive Session, but no formal action shall be taken during such Executive Session.

ARTICLE 9

COMMITTEES

9.01 Appointed by Board of Directors

Section 1. The newly elected Board of Directors shall promptly appoint an Architectural Control Committee consisting of five (5) members, three (3) of whom shall be Directors.

Section 2. In addition, the Board of Directors shall appoint other committees as they deem necessary and appropriate for carrying out the purposes of the Association. All members of all committees shall at all times during the term of their service have and maintain the same qualifications for such appointment as Directors have for the office of

directorship pursuant to Article 6 hereof. All other committees shall serve at the pleasure of the Board of Directors but in no event shall the term of such committee, or any member thereof, be appointed for longer than two (2) years. Any committee with any authorization to take action on behalf of the Board shall consist of three (3) or more persons, a majority of whom shall be Directors.

9.02 Authority of Committees

Whenever approval of the Architectural Control Committee is required, such approval shall be in writing. In the event the Architectural Control Committee fails to approve or disapprove within 20 days after a receipt of a request, with all accompanying plans, specifications, and the like, approval will be deemed to have been given.

9.03 Discharge of Committees and Committeemen

Any committee member may be removed by the Board of Directors when, in its judgment, the best interest of the Association shall be served by such removal. All committees are responsible to the Board of Directors.

ARTICLE 10

OFFICERS OF THE BOARD OF DIRECTORS

10.01 Enumeration of Officers

The officers of the Board of Directors shall consist of a President, Vice President, Secretary, and Treasurer at a minimum. Other officers may be elected by a majority of the Board of Directors, voting in person or by proxy, as and when the Board deems it necessary.

10.02 Term

The term of office of each officer shall be concurrent with his or her term on the Board of Directors.

In case a vacancy occurs among the officers, the Board of Directors shall appoint a successor to serve during the un-expired term of the office vacated.

10.03 Resignation and Removal

Any Officer may be removed from office by a majority of the remaining Directors when, in their judgment, the best interest of the Association shall be served by such removal.

Any Officer may resign at any time giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of 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.

10.04 Multiple Offices

Any two or more offices may be held by the same person, except the offices of President and Secretary.

10.05 Compensation

The salary of the Secretary shall be determined from time to time by the Board of Directors; provided however, the Secretary must refrain from voting thereon.

The salary of the Treasurer shall be determined from time to time by the Board of Directors; provided however, the Treasurer must refrain from voting thereon.

Members of the Board of Directors shall be reimbursed for reasonable incidental expenses incurred in handling the business of the Association. Such expense reimbursement will follow the then standard business practices for employee reimbursement.

ARTICLE 11

PRESIDENT

11.01 Duties

The President shall preside at all meetings of the Board of Directors and of the Members, prepare the agenda for such meeting, preserve order, and exercise supervision of the affairs of the Association and the Board; and shall decide all questions of procedure of the meeting of the Board of Directors and the Association, and with the advice and consent of the Board of Directors shall appoint all committees, unless otherwise provided for in these Bylaws, and shall be an ex-officio member of all such committees; and further, shall perform such other and additional duties as are customarily required of this office. The President shall otherwise comply with these Bylaws and the Restrictive Covenants for the Subdivision.

ARTICLE 12

VICE PRESIDENT

12.01 Duties

The Vice President shall assist the President in the discharge of these duties, and in the absence of the President, shall preside at all meetings of the Association and of the Board of Directors and shall perform the duties of the President during the latter's absence. Further, the Vice President shall perform any and all additional duties that may be delegated by the President or the Board of Directors, and shall otherwise comply with these Bylaws and the Restrictive Covenants for the Subdivision.

**ARTICLE 13
SECRETARY****13.01 Duties**

The Secretary shall cause a full and correct record of all proceedings of this Association to be kept; have charge of all records of the Association; conduct the correspondence, and mail all reports, bulletins and notices and keep a record of all the foregoing; answer all letters from Voting Members; and otherwise comply with these Bylaws and the Restrictive Covenants for the Subdivision.

**ARTICLE 14
TREASURER****14.01 Duties**

The Treasurer shall cause the following tasks to be done: collect all mail, prepare all bank deposits, reconcile all bank statements; post all receipts to proper accounts; deposit all such funds in the bank as designated by the Board of Directors; draw all checks on the Association's funds, which checks so drawn shall be countersigned by the President and the Vice President or Secretary. The Treasurer shall keep a full, true and correct record of all funds and all financial transactions of the Association, keep all books of account of the Association, and render a complete report to the Association at its annual meetings, or more often as required by the President or the Board of Directors. The Treasurer shall otherwise comply with these Bylaws and the Restrictive Covenants for the Subdivision.

**ARTICLE 15
BOOKS AND RECORDS**

15.01 Maintenance

The Association shall keep correct and complete books and records of account and shall keep the minutes of the proceedings of its members, Board of Directors, and committees having any authority of the Board of Directors and shall keep at its registered office or principal office a record of the names and addresses of its members.

15.02 Inspection

The books, records and papers of the Association shall be subject to inspection by any member. The time and place of any such inspection shall be upon written request and upon mutual agreement of the Secretary and/or Treasurer of the Board. Copies requested shall be at the sole cost and expense of the Member requesting the same. The initial charge for such copies shall be not less than \$.50 per sheet paid cash in advance and shall be charged at the discretion of the Secretary.

ARTICLE 16**AMENDMENTS**

These Bylaws may be altered, repealed, or amended by a majority of the votes cast by eligible Voting Members. A true copy of any proposed revision, change, or amendment, together with notification of the time and place of the meeting where the same is to be considered shall be delivered or mailed to each eligible Voting Member at least thirty (30) days before the date of such meeting, and shall be posted in one (1) public place within the Subdivision. The Board is authorized to incorporate any such alteration, change, or amendment into the Bylaws by a full restatement of the same without further vote of the membership.

ARTICLE 17**INDEMNIFICATION****17.01 Definitions. In this article**

(a) "Indemnitee" means (i) any present or former Director or Officer of the Association; and (ii) any person appointed by the President or the Board of Directors to serve on any committee of the Association.

(b) "Official Capacity" means (i) when used with respect to a Director, the Office of Director of the Association; and (ii) when used with respect to a person other than a Director, the elective or appointive Office of the Association held by such person or the employment or agency relationship undertaken by such person on behalf of the Association, but in each case does not include service for any other foreign or domestic

corporation or any partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise.

(c) "Proceeding" means any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative, any appeal in such an action, suit or proceeding, and any inquiry or investigation that could lead to such an action, suit or proceeding.

17.02 Indemnification.

(a) The Association shall indemnify every Indemnitee against all judgments, penalties (including excise and similar taxes), fines, amounts paid in settlement and reasonable expenses actually incurred by the Indemnitee in connection with any Proceeding in which he was, is or is threatened to be named defendant or respondent, or in which he was or is a witness without being named a defendant or respondent, or in which he was or is a witness without being named a defendant or respondent, by reason, in whole or in part, of his service or having served or having been nominated or designated to serve, in any of the capacities referred to in 17.01 (a), if it is determined in accordance with 17.04 that the Indemnitee (i) conducted himself in good faith, (ii) reasonably believed, in the case of conduct in his Official Capacity, that his conduct was in the Association's best interests and, in all other cases, that his conduct was at least not opposed to the Association's best interests, and (iii) in the case of any criminal proceeding, had no reasonable cause to believe that his conduct was unlawful.

(b) Provided, however, that in the event that an Indemnitee is found liable to the Association or is found liable on the basis that personal benefit was improperly received by the Indemnitee in connection with the Proceeding the indemnification (i) is limited to reasonable expenses actually incurred by the Indemnitee in connection with the proceeding, and (ii) shall not be made in respect to any Proceeding in which the Indemnitee shall have been found liable for willful or intentional misconduct in the performance of his duty to the Association. Except as provided in the immediately preceding provision no indemnification shall be made under this 17.02 in respect of any Proceeding in which such Indemnitee shall have been (x) found liable on the basis that personal benefit was improperly received by him whether or not the benefit resulted from an action taken in the Indemnitee's Official Capacity, or (y) found liable to the Association.

(c) The termination of any Proceeding by judgment, order, settlement or conviction, or on a plea of "nolo contendere" or its equivalent, is not of itself determinative that the Indemnitee did not meet the requirements set forth in clauses (i), (ii) or (iii) in 17.02(a). An Indemnitee shall be deemed to have been found liable in respect of any claim, issue or matter only after the Indemnitee shall have been so adjudged by a court of competent jurisdiction after exhaustion of all appeals therefrom. Reasonable expenses shall include, without limitation, all court costs and all fees disbursements of attorneys for the Indemnitee.

17.03 Successful Defense. Without limitation of 17.02 and in addition to the indemnification provided for in 17.02, the Association shall indemnify every Indemnitee against reasonable expenses incurred by such person in connection with any Proceeding in which he is a witness or a named defendant or respondent because he served in any of the capacities referred to in 17.01 (a), if such person has been wholly successful, on the merits or otherwise, in defense of the Proceeding.

17.04 Determinations. Any indemnification under 17.02 (unless ordered by a court of competent jurisdiction) shall, except as provided in 17.05 hereof, be made by the Association only upon a determination that indemnification of the Indemnitee is proper in the circumstances because he has met the applicable standard of conduct. Such determination shall be made (a) by the Board of Directors by a majority vote of a quorum consisting of Directors who, at the time of such vote, are not named defendants or respondents in the Proceeding; (b) if such a quorum cannot be obtained, then by a majority vote of a committee of the Board of Directors designated to act in the matter by a majority vote of all directors (in which designation Directors who are named defendants or respondents in the Proceeding may participate), such committee to consist solely of two (2) or more Directors who, at the time of the committee vote, are not named defendants or respondents in the Proceeding; (c) by special legal counsel selected by the Board of Directors or a committee of the Board of Directors by vote as set forth above in this 17.04 or (d) by the eligible voting members in a vote that excludes Directors that are named defendants or respondents in the Proceeding. Determination as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible. Except that if the determination that indemnification is permissible is made by special legal counsel, determination as to reasonableness of expenses must be made in the manner specified in clause (c) of the preceding sentence for the selection of special legal counsel. In the event a determination is made under this 17.04 that the Indemnitee met the applicable standard of conduct as to some matters but not as to others, amounts to be indemnified may be reasonable prorated.

17.05. Advancement of Expenses. Reasonable expenses (including court costs and attorney's fees) incurred by an Indemnitee who was or is a subpoenaed witness or was, is or is threatened to be made a named defendant or respondent in a Proceeding shall be paid by the Association at reasonable intervals in advance of the final disposition of such Proceeding, and without making any of the determinations specified in 17.04, after receipt by the Association of (a) a written affirmation by such Indemnitee of his good faith belief that he has met the standard of conduct necessary for indemnification by the Association under this 17.05, and (b) a written undertaking by or on behalf of such Indemnitee to repay the amount paid or reimbursed by the Association if it shall ultimately be determined that he is not entitled to be indemnified by the Association as authorized in this Section. Such written undertaking shall be an unlimited obligation of the Indemnitee but need not be secured and it shall be accepted without reference to financial ability to make repayment. Notwithstanding any other provision of this 17.05, the Association shall pay or reimburse expenses incurred by an Indemnitee in

connection with his appearance as a subpoenaed witness or other participation in a Proceeding at a time when he is not named a defendant or respondent in the Proceeding.

17.06. Employee Benefit Plans. For purpose of this Article 17, the Association shall be deemed to have requested an Indemnitee to serve an employee benefit plan whenever the performance by him of his duties to the Association also imposes duties on or otherwise involves service by him to the plan or participants or beneficiaries of the plan. Excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall be deemed fines. Action taken or omitted by an Indemnitee with respect to an employee benefit plan in the performance of his duties for a purpose reasonably believed by him to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose that is not opposed to the best interests of the Association.

17.07. Other Indemnification and Insurance. The indemnification provided by this Article 17 shall (a) not be deemed exclusive of, or to preclude, any other rights to which those seeking indemnification may at any time be entitled under the Association's Articles of Incorporation, any law, agreement or vote of members or disinterested Directors, or otherwise, or under any policy or policies of insurance purchased and maintained by the Association on behalf of any Indemnitee, both as to action in his Official Capacity and as to action in any other capacity, (b) continue as to a person who has ceased to be in the capacity by reason of which he was an Indemnitee with respect to matters arising during the period he was in such capacity, and (c) inure to the benefit of the heirs, executors and administrators of such a person.

17.08. Notice. An indemnification of or advance of expenses to an Indemnitee in accordance with this Article 17 shall be reported in writing to the members of the Association with or before the notice or waiver of notice of the next members' meeting or with or before the next submission to members of a consent to action without a meeting and, in any case, within the twelve-month period immediately following the date of the indemnification or advance.

17.09. Construction. The indemnification provided by this Article 17 shall be subject to all valid and applicable laws, including, without limitation, Article 1396-2.22 of the Texas Non-Profit Corporation Act, and, in the event this Article 17 or any of the provisions hereof or the indemnification contemplated hereby are found to be inconsistent with or contrary to any such valid laws, the latter shall be deemed to control and this Article shall be regarded as modified accordingly, and, as so modified, to continue in full force and effect.

17.10. Continuing Offer, Reliance, etc. The provisions of this Article 17: (a) are for the benefit of, and may be enforced by, each Indemnitee of the Association, the same as if set forth in their entirety in a written instrument duly executed and delivered by the

Association and such Indemnitee; and (b) constitute a continuing offer to all present and future Indemnitees; and (c) are retroactive in application. The Association, by its adoption of these Bylaws, acknowledges and agrees that each Indemnitee of the Association has relied upon and will continue to rely upon the provisions of this Article 17 in becoming, and serving in any of the capacities referred to in Section 17.01 (a) of this Article 17, waives reliance upon, and all notices of acceptance of, such provisions by such Indemnitees and acknowledges and agrees that no present or future Indemnitee shall be prejudiced in his right to enforce the provisions of this Article 17 in accordance with its terms by any act or failure to act on the part of the Association or on the basis of when any claim or cause of action arose.

17.11. Effect of Amendment. No amendment, modification or repeal of this Article 17 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitees to be indemnified by the Association, nor the obligation of the Association to indemnify any such Indemnitees, under and in accordance with the provisions of the Section as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

ARTICLE 18

CORPORATE SEAL

The Association may have a seal in circular form having within its circumference the words: COMMUNITY IMPROVEMENT ASSOCIATION OF SHADOW BAY, INC.; however, the use of such seal shall not be required for validity of any act of the Association.

ARTICLE 19

SIGNATURES

The undersigned, comprising the entire Board of Directors of the Association, hereby unanimously adopt the foregoing Bylaws of the Association pursuant to Vernon's Ann. Civ. St. Art. 1396-2.09 of the State of Texas, such Bylaws having been previously approved and adopted by the Membership.

George H. Alexander President *Franklin T. Beckner V. President*

William Noto 10/5 99

Marlene Chalcraft

Eleatus A. Wick

Gaye Pierce

Dannie E. Pierce

J. Ann Bradley

Donna Stue

Community Improvement Association of Shadow Bay

P. O. Box 1209

Willis, TX 77378

664-00-0977

**Rules Regulations and Policy Statement for
Properties and Residents of Shadow Bay Subdivision**

A Registered Document in the County of Montgomery

Introduction		Page 1
Section 1	Maintenance of Property	Page 1
Section 2	Dwelling and Exterior	Page 2
Section 3	Vehicles and Traffic	Page 3
Section 4	Renters/Leasing Tenants	Page 4
Section 5	Animals	Page 4
Section 6	Boat Ramp	Page 5
Section 7	Payment of Fees, Notice of Hearing	Page 5
Section 8	Adoption of Rules and Signatures	Page 6

Community Improvement Association of Shadow Bay
P.O. Box 1209
Willis, TX 77378

**Rules, Regulations and Policy Statement for
Properties and Residents in Shadow Bay Subdivision.**
A Registered Document in the County of Montgomery

Introduction:

The following Rules, Regulations, and Policies (the "Rules") are promulgated by the Board of Directors (the "Board") of the Community Improvement Association of Shadow Bay Subdivision Inc. (the "Subdivision"). This document is intended as a statement of the Board's policy regarding the interpretation and enforcement of the Restrictive Covenants (the "Restrictions") applicable to the Subdivision, such Restrictions being filed for record in the Official Public Records of Real Property of Montgomery County Texas under Clerk's File #7946156. This document also spells out the Board's rules and regulations regarding the use of the Subdivision's streets and other common properties.

Section 1 - Maintenance of Property:

1.01 Cleanup of Property

The Owner of record for each Lot is ultimately responsible for normal maintenance, repair, cleanup, and removal of waste from each Lot. If the need for extraordinary maintenance, repair, cleanup, or removal of waste (as permitted by the 2nd paragraph of Section 4.06 of the Restrictions) is due to a willful or negligent act, or the neglect of the Owner of a Lot, his family, guests, invitees or renters, the cost of such extraordinary maintenance, repairs, cleanup, or removal will be added to the regular monthly assessment for each Lot.

The Board is authorized to hire someone to perform the extraordinary maintenance, repair, cleanup, or removal. Any additional charge will be listed separately and included on the next regular statement sent to the Owner.

The Board has absolute discretion to determine where and when such extraordinary maintenance, repair, cleanup, or removal of waste is necessary. Extraordinary maintenance includes, but is not limited to the following:

1. Mowing of grass, lawn, or weeds 8" or more in height
2. After 30 days written notice to the Owner, the skirting of mobile homes in accordance with the regulations.
3. After 30 days written notice to the Owner, any other applicable matters in violation of the Restrictions and/or Bylaws determined by the Board to fall within the scope of this rule.

Community Improvement Association of Shadow Bay

**P.O. Box 1209
Willis, TX 77378**

Section 2 - Dwelling and Exterior:**2.01 Additions, Alterations, Fences, etc.**

No Owner or other person may make any structural alteration or do any exterior repainting or repair of, or addition to his residence that would substantially alter the exterior appearance without the prior written approval of the plans and specifications by the Architectural Control Committee. The Committee will grant its approval if the proposed work will benefit and enhance the subdivision in a manner consistent with the development plan.

No building, fence, wall, or other structure with a height in excess of 24" may be erected or maintained outside of the front building line of each Lot. No exterior addition, including replanting, or other external attachments may be made until the plans and specifications showing the nature, kind, shape, height, materials, colors, and locations have been submitted to and approved in writing by the Architectural Control Committee. Consideration is based upon the harmony of external design and location in relation to surrounding structures and topography.

Any Owner whose residence is damaged by fire or other casualty may apply to the Architectural Control Committee for reconstruction, rebuilding, or repair of the residence in a manner that will provide for an exterior appearance and design different from that which existed prior to the date of the casualty. Application for approval must be made in writing with full and complete plans, specifications, working drawings, and elevations showing the proposed reconstruction and the end result. The Architectural Control Committee will grant approval only if the design proposed by the Owner would result in a finished residence of exterior design harmonious with other residences in the subdivision.

Approval of the Architectural Control Committee must be in writing. In the event the Architectural Control Committee fails to approve or disapprove within 20 days after receipt of a request with all accompanying plans and specifications, approval will be deemed to have been given.

2.02 Removal of Mobile Homes

No mobile home may be removed from the subdivision without the written consent of the Architectural Control Committee. Consent will be granted on request to the Owner of the Lot or the Owner of the mobile home. The request must be accompanied by a "clean-up" deposit of \$500.00 (cash or check), which will be refunded after inspection of the empty Lot by a representative of the Architectural Control Committee. The request for consent must be submitted a minimum of seven (7) days prior to the day of anticipated removal. The deposit will insure that the premises from which the mobile home is removed are in an acceptable condition after the removal. The Board of Directors may waive this requirement with a vote of simple majority.

The Board is authorized to install and maintain security devices at the entrance to the Subdivision or other locations within the Subdivision to secure the collection of the clean-up and street and property damage deposits.

Community Improvement Association of Shadow Bay
P.O. Box 1209
Willis, TX 77378

2.03 Driveways

All improved lots are required to have a driveway leading from the road to the property. The culvert required under the driveway must meet County specifications.

Section 3 - Vehicles and Traffic:**3.01 Underage Drivers**

No motorized vehicle shall be operated by an underage (under 16 years old) driver on "common areas or streets" within the boundaries of Shadow Bay Subdivision.

This rule will include such vehicles as motorbikes, motorcycles, motor scooters, mopeds, 4-wheelers, go-carts, dirt bikes, golf carts or any other motor-driven vehicle.

Penalty for Violators:**1ST Offense – "Warning"**

Offender will be requested to immediately take his vehicle off of the "common area or street" of the Shadow Bay Subdivision.

2nd and Subsequent Offenses – Fee

The Board will levy a fee of \$100.00 against the vehicle owner.

3.02 Tandem Axle Vehicles

No tandem axle vehicles, including semi tractor-trailers, will be allowed in the Subdivision without a permit from the Architectural Control Committee.

Violators will be charged a fee and/or towed.

3.03 Stop Sign Violation

Failure to make a complete stop at a stop sign within the Subdivision will result in the vehicle's driver being charged a fee of \$35.00.

If a Shadow Bay Property Owner who is charged such a fee fails to pay, the fee will be added to that owner's regular maintenance bill.

3.04 Parking on the Streets

Motor vehicles shall not be parked on the pavement of the streets. Any vehicle parked on the pavement or within 15 feet of a fire hydrant will be towed.

Community Improvement Association of Shadow Bay

**P.O. Box 1209
Willis, TX 77378**

3.05 Unlicensed Drivers

No unlicensed driver will be allowed to operate a motor vehicle within the Subdivision. Violators will be charged a fee of \$100.00.

3.06 Unlicensed Vehicles

A car or truck that is not properly licensed or insured is not allowed to be operated within the Subdivision. Violators will be charged a fee of \$50.00.

3.07 Reckless Driving

Driving a vehicle in a reckless manner, in a willful or wanton disregard for safety of people or property is a violation. Violators will be charged a fee of \$100.00.

Section 4 – Renters/Leasing Tenants:**4.01 Responsibility of Owners**

Shadow Bay Property Owners are responsible for providing their renters/leasing tenants with copies of the Shadow Bay Deed Restrictions, By Laws, and Rules and for ensuring that their renters/leasing tenants comply with the requirements of the documents listed above.

4.02 Renters/Leasing Tenants Fees for Violations

If a Renter or Leasing Tenant fails to pay a Fee that is levied for violation of one of the Shadow Bay Rules, that fee will become the responsibility of the owner of the property and will be added to the owner's regular maintenance bill.

Section 5 - Animals:**5.01 Confinement of Dogs**

All dogs must be confined to the owner's property. No dog will be allowed outside the owner's property except on a leash.

Community Improvement Association of Shadow Bay

P.O. Box 1209

Willis, TX 77378

Section 6 – Boat Ramp:

6.01 Eligibility for Boat Ramp Key

All maintenance fees, other fees, liens, or judgments must be paid in full on all lots owned by a Property Owner before the Property Owner is eligible to receive a key to the boat ramp area.

A Property Owner who is 90 days or more past due on any maintenance or other fees is required to pay not only the past due amount, but also pay one year's worth of maintenance fees in advance before receiving a key.

If a Property Owner becomes more than one month late on maintenance fees, that Property Owner is required to relinquish the boat ramp key(s).

6.02 Vehicles Parked at Boat Ramp Area

Any vehicle parked at the boat ramp area must display a Shadow Bay Property Owner sticker in the front windshield, or a current Guest Card must be displayed on the dashboard of the vehicle.

6.03 Responsibility for the Key(s)

Duplication or loaning the key(s) is not allowed. A \$25 fee will be charged for a lost or stolen key. The key(s) must be returned to Community Improvement Association of Shadow Bay if the person is no longer a Property Owner in Shadow Bay.

Section 7 – Payment of Fees; Notice and Opportunity for Hearing Before the Board; Fees Charged to Maintenance Account.

7.01 Payment of Fees

All fees for violations of these Rules shall be due and payable within 30 days after the imposition of such fees.

7.02 Notice and Opportunity for Hearing Before the Board

Any person charged with a violation of these Rules shall have the right to appear before the next regular monthly meeting of the Board in order to contest the imposition of the fee(s). Such right to be heard shall be conspicuously stated on the citation or other notice of the violation and personally delivered to the violator.

7.03 Fees Charged to Maintenance Account

With respect to violations by an owner, his family members, guests, or renters, if the fee imposed for such violation is not paid within 30 days after the imposition of the fee or within 10 days after the fee is upheld by the Board, the fee will be charged against and added to the owner's maintenance account.

Community Improvement Association of Shadow Bay

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Willis, TX 77378**

Section 8 – Adoption by the Board and Board Signatures

8.01 Adoption by the Board

These Rules are hereby adopted by the Community Improvement Association of Shadow Bay, Inc. Board of Directors on this 23RD day of FEBRUARY, 2000.

8.02 Signatures

Dannie E. Pierce

Robert J. Fitch

Jack D. Price

Steven Stone

Gayle Pierce

Maryloue Stalder

David E. Wright

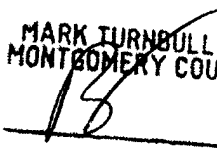
Carol Pierce

Franklin Bulene

After Recording Return to:

LAW OFFICES OF WILLIAM T. FOWLER
300 WEST DAVIS, SUITE 510
CONROE, TEXAS 77301



FILED FOR RECORD
00 FEB 24 PM 4:04
MARK TURNBULL, CO. CLERK
MONTGOMERY COUNTY, TEXAS

DEPUTY

STATE OF TEXAS
COUNTY OF MONTGOMERY
I hereby certify that this instrument was filed in
File Number Sequence on the date and at the time
stamped herein by me and was duly RECORDED in
the official Public Records of Real Property of
Montgomery County, TEXAS

FEB 24 2000




COUNTY CLERK
MONTGOMERY COUNTY, TEXAS