

FIRST AMENDED BY LAWS  
OF THE  
WATERWOOD PARK  
PROPERTY OWNERS' ASSOCIATION

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**FIRST AMENDED BYLAWS OF  
THE WATERWOOD PARK  
PROPERTY OWNERS' ASSOCIATION**

**WHEREAS, The Waterwood Park Property Owners' Association previously adopted By- laws to govern the Association, its Members and the administration of its affairs;**

**WHEREAS, the Waterwood Park Association, through its Members, desires to amend the previously adopted By-laws;**

**NOW THEREFORE, the Waterwood Park Association through its Members hereby adopts these First Amended By-laws of the Waterwood Park Property Owners' Association. These Amended and Restated Bylaws hereby supersede the terms and provisions set forth in the original Bylaws of Association.**

**ARTICLE I. NAME, PRINCIPAL OFFICE, AND DEFINITIONS**

A. Name

The name of the Association shall be Waterwood Park Property Owners' Association (hereinafter sometimes referred to as the, "Association").

B. Principal Office

The principal office of the Association shall be located in Bexar County, Texas or such other place as may be designated by the Board of Directions of the Association from time to time.

C. Definitions

The words used in these Bylaws shall have the same meaning set forth herein, or as set forth in the restrictive covenants for the Waterwood Park Subdivision recorded in the Bexar County, Texas public records as described in detail on Exhibit A, attached hereto and incorporated herein by reference for all purposes (said restrictive covenants, as amended, renewed, or extended from time to time, are hereinafter referred to collectively as the "Restrictions").

“Association” shall mean and refer to the Waterwood Park Property Owners’ Association, a Texas non-profit corporation, its successors and assigns.

“Common Area” shall mean all real property managed by the Association for the common use and enjoyment of the owners.

“Member” shall refer to every person or entity who is a record owner of a fee simple interest in property located within the Waterwood Park Subdivision.

A “Member in good Standing” means (a) a Member who is not delinquent in the payment of any assessments or charge levied by the Association against the Member’s property or any interest, late charges, costs or reasonable attorney’s fees added to such assessment under the provisions of the Restrictions or an applicable supplemental amendment or as provided by law, (b) a Member who does not have any condition on his property which violates any provisions of the Restrictions or any applicable supplemental amendment which has progressed to the state of a written notice of a hearing to be held by the Board or its designated committee, or beyond, and which remain unresolved as of the date of determination of the Member’s standing, (c) a member who has not failed to pay any fine levied against the Member and/or the Member’s property pursuant to the provisions of the Restrictions and Bylaws, ad (d) a Member who has not failed to comply with all terms of a judgment obtained against the Member by the Association, including the payment of all sums due the Association by virtue of each judgment.

D. Property

The property affected by these Bylaws is the property described on the first recorded plat for Waterwood Park Subdivision recorded under *Volume 9516, Pages 20-22* in the Public Records of Bexar County, Texas, and any other subdivisions which have been subsequently annexed into the Waterwood Park Subdivision, or which may be annexed into the Waterwood Park Subdivision with the approval of the Association.

**ARTICLE II. ASSOCIATION: MEMBERSHIP, MEETINGS, QUORUM,  
VOTING, PROXIES**

A. Membership

The Association shall have one class of membership. Every person or entity who is a record owner of a fee simple interest in property within the Waterwood Park Subdivision shall be a member of the Association.

B. Place of Meetings

Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as may be designated by the Board.

C. Annual Meetings

The first meeting of the Members, whether a regular or special meeting, shall be held within one (1) year from the date of organization of the Association. Subsequent regular annual meetings shall be set by the Board. Directors to be elected by the membership shall be elected at the annual meeting.

D. Special Meetings

The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting of the Members if so directed by resolution of a majority of the Board or upon a petition signed by Members representing at least ten percent (10%) of the total votes of the Association. In addition to any other information required by law, the notice of any special meeting shall state the date, time, and place of such meeting and the purpose thereof.

E. Notice of Meetings

Written or printed notice stating the place, day, and hour of any meeting of the Members shall be delivered, either personally or by mail, fax or other electronic media, to each Member, not less than ten (10) nor more than sixty (60) days before the date of the meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting. Such notice may contain a description of the topics or issues to be discussed.

Notice to a Member by email or facsimile must be sent to the email address or facsimile number provided to the Association in writing by that Member. If emailed, the notice of meeting shall be deemed to be delivered as of the date and time shown on a confirmation that the email was successfully transmitted. If faxed, the notice of meeting shall be deemed to be delivered as of the date and time shown on a written confirmation that the facsimile was successfully transmitted. For any given meeting, the Board may use any combination of the alternative methods for providing notice to the Members.

For the purpose of determining the Members entitled to notice of a meeting, the membership of the Association shall be determined on the date the notice of meeting is first given, or as otherwise determined by the Board.

In the case of special meeting or when required by statute or these Bylaws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail first class postage pre-paid addressed to the Member at his or her address as appears on the records of the Association, with postage thereon prepaid. One notice, addressed to multiple Members at the same address, shall suffice if more than one (1) Member resides at any address.

Notwithstanding anything contained herein to the contrary, for so long as there are more than one thousand (1,000) Members of the Association and pursuant to the authority contained in the Texas Business Organizations Code at §22.157, or its successor statute, notice of Members'

meetings may be accomplished by publication in a newspaper of general circulation in the Waterwood Park community, including but not limited to the Waterwood Park newsletter if same is in existence, by written notice as set out hereinabove, or a combination of publication and written or printed notice sent to Members.

F. Waiver of Notice

Waiver of a notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member, either in person or by proxy, shall be deemed waiver by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice in writing at the time the meeting is called to order. Further, casting a vote by any technological means authorized in these Bylaws, by a Member on any issue to be voted upon at the meeting shall be deemed a waiver by such Member of notice of the meeting. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted thereat unless objection to the calling or convening of the meeting, of which proper notice was not given, is raised in writing before the business is put to a vote.

G. Adjournment of Meetings

If any meeting of the Members cannot be held because a quorum is not present, either in person or by proxy, the presiding officer or a majority of the Members in Good Standing who are present at such meeting, in person [or by proxy], may adjourn the meeting to a time not less than five (5) nor more than sixty (60) days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business that might have been transacted at the meeting originally called may be transacted. All votes cast by Members prior to the originally called meeting by proxy, or by any technological means authorized in these Bylaws, on issues to be considered at the meeting shall be valid and may be counted at the at the reconvened meeting at which a quorum is present; provided that a Member who cast a vote on an issue by proxy or by any technological means authorized in these Bylaws may change that Member's vote at any time prior to the time that a call for a vote on the issue is made at the reconvened meeting at which quorum is present. A Member may change his vote by attending the reconvened meeting in person, submitting a proxy at the reconvened meeting which either directs or authorizes the proxy holder to a vote in a different manner, or changing the Member's vote by any technological means for voting authorized in these Bylaws. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Members in the manner prescribed fir regular meetings.

H. Voting

The voting rights of the Members shall be as set forth herein. One (1) vote shall be granted to each Member There shall be only one vote allocated to each lot owner. By way of illustration, if there are two owners of a lot and both owners cast a vote, if the votes are not in conflict, only one vote shall be counted; however, if the votes are in conflict neither vote shall be

counted. To be eligible to vote, a Member must be in Good Standing (as same is defined herein), however, a lack of Good Standing cannot disqualify an owner from voting in an election of board members or on any matter concerning the rights or responsibilities of the owner. Any provision which disqualifies an owner from voting on such issues is void.

(a) Any vote cast in an election or vote by a member of the association must be in writing and signed by the member.

(b) Electronic votes cast constitute written and signed ballots.

(c) In an association-wide election, written and signed ballots are not required for uncontested races.

(d) The voting rights of an owner may be cast or given:

(1) in person or by proxy at a meeting of the property owners' association;

(2) by absentee ballot in accordance with this section;

(3) by electronic ballot in accordance with this section; or

(4) by any method of representative or delegated voting provided by a dedicatory instrument.

(e) An absentee or electronic ballot:

(1) may be counted as an owner present and voting for the purpose of establishing a quorum only for items appearing on the ballot;

(2) may not be counted, even if properly delivered, if the owner attends any meeting to vote in person, so that any vote cast at a meeting by a property owner supersedes any vote submitted by absentee or electronic ballot previously submitted for that proposal; and

(3) may not be counted on the final vote of a proposal if the motion was amended at the meeting to be different from the exact language on the absentee or electronic ballot.

(f) A solicitation for votes by absentee ballot must include:

(1) an absentee ballot that contains each proposed action and provides an opportunity to vote for or against each proposed action;

(2) instructions for delivery of the completed absentee ballot, including the delivery location; and

(3) the following language: "By casting your vote via absentee ballot you will forgo the opportunity to consider and vote on any action from the floor on these proposals, if a meeting is held. This means that if there are amendments to these proposals your votes will not be counted on the final vote on these measures. If you desire to retain this ability, please attend any meeting in person. You may submit an absentee ballot and later choose to attend any meeting in person, in which case any in-person vote will prevail."

(g) For the purposes of this section, "electronic ballot" means a ballot:

(1) given by:

(A) e-mail;

(B) facsimile; or

(C) posting on an Internet website;

(2) for which the identity of the property owner submitting the ballot can be confirmed; and

(3) for which the property owner may receive a receipt of the electronic transmission and receipt of the owner's ballot.

(h) If an electronic ballot is posted on an Internet website, a notice of the posting shall be sent to each owner that contains instructions on obtaining access to the posting on the website.

(i) This section supersedes any contrary provision in these by laws.

Each Member may vote in person or by proxy appointed in writing and subscribed by the Member or by the duly authorized attorney of such Member.

Facsimile proxies shall be valid.

At any election where there is an equal number of nominees as there are positions to be filled, the Board may determine that election by ballot or vote is not required and may declare that the nominees are selected by unanimous consent or acclamation.

At all meetings of Members, all questions, except those the manner of which is otherwise expressly governed by statute, the Certificate of Formation of the Association or by the Bylaws, shall be decided by the vote of a majority of the Members of the Association, a quorum being present.

#### I. Majority

As used in these Bylaws, the term "majority" shall mean those votes, owners, board members or other things, persons, or items, as the context may indicate totaling more than fifty (50%) percent of the total number of said votes, owners, board members or other things, persons, or items required for the particular issue being considered.

#### J. Quorum

Except as otherwise provided in these Bylaws or in the Certificate of Formation, the presence in person, or by proxy, of owners representing ten (10%) percent of the total eligible votes in the Association shall constitute a quorum for all meetings of the Association. An absentee or electronic ballot may be counted as an owner present and voting for the purpose of establishing a quorum only for items appearing on the ballot.

If the required quorum is not present another meeting may be called subject to the same notice and quorum requirements. No such subsequent meeting shall be held more than sixty (60) days following the initial or first meeting.

The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment.

K. Conduct of Meetings

The President, or his/her designee, shall preside over all meetings of the Association, and the Secretary, or his/her designee, shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting and all transactions occurring at the meeting.

L. Action Without A Meeting

Any action required by law to be taken at a meeting of the Members or any action that may be taken at a meeting of the Members, may be taken without a meeting if written consent setting forth the action so taken is signed by Members holding the number of votes necessary to pass a proposition concerning the subject matter thereof, and any such consent shall have the same force and effect as a unanimous vote of the Members.

M. Proxies and Absentee Ballots

At all meetings of the Members, each Member may attend and/or vote in person or by proxy. All proxies shall be in writing and filed with the Secretary before the appointed time of each meeting or by any earlier date or time specified in the notice of meeting. Every proxy shall be recoverable and shall automatically cease upon (i) conveyance by the Member of the Member's interest of the property, (ii) receipt of notice by the Secretary of the death or judicially declared incompetence of a Member, (iii) receipt of written revocation; or (iv) expiration of eleven (11) months from the date of the proxy. In the case of a Member's execution of more than one proxy, the proxy with the latest date shall be valid. Proxies not delivered prior to the start of any meeting or by any earlier date or time, if specified in the notice of meeting, shall not be valid.

To the extent permitted by law, a Member may vote on any issue to be voted upon by the Members under these Bylaws by absentee or electronic ballot that is delivered or mailed to the Association or the Association network. To be valid, any vote cast by a Member by these alternative means must be received by the Association by the date and time specified in the notice of meeting or, if no date and time is specified in the notice of meeting, by midnight of the day before the date of the scheduled meeting. The mechanism for voting by electronic communication must provide a sufficient method of identifying the Member and verifying the Member's vote. The Board shall have the authority to adopt an electronic voting policy. Any requirement imposed by the Certificate of Formation, these Bylaws, a duly adopted Board policy, or by applicable law for a signature on any such absentee ballot may also be satisfied by a digital signature meeting the requirements of such documents or applicable law.

Notwithstanding anything contained herein to the contrary, the Board shall have the authority to designate an official proxy for a particular meeting. If such official proxy is designated by the Board that is the only proxy that will be honored for that meeting and for the purpose for which it is designated.

### **ARTICLE III. BOARD OF DIRECTORS: NUMBER, POWERS, MEETINGS**

#### **A. Composition and Selection**

##### **Section 1. Governing Body Composition**

The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one (1) vote.

All Directors must be Members. In the case of a member that is a corporation or partnership, the person designated in writing by either proxy or a resolution to the Secretary of the Association as the representative of such corporation or partnership shall be eligible to serve as a Director.

If a board is presented with written, documented evidence from a database or other record maintained by a governmental law enforcement authority that a board member has been convicted of a felony or crime involving moral turpitude, the board member is immediately ineligible to serve on the board of the property owners' association, automatically considered removed from the board, and prohibited from future service on the board.

##### **Section 2. Election of Directors**

Election of Directors by the Membership shall be by a plurality vote of the Members in person or by proxy at a properly called meeting at which a quorum is present, or by any combination of the same.

Notwithstanding anything contained herein to the contrary, in an election of Directors by Members, in which election there are more candidates than vacant positions and where two or more candidates receive the same number of votes resulting in a tie, the winner of the election shall be chosen by lot (i.e., the names of the candidates who are running for a director position and have received the same number of votes shall be written on separate pieces of paper by the presiding officer of the meeting, the pieces of paper shall be folded by the presiding officer and placed in a container provided by the then-serving Board of Directors; the presiding officer shall ask for a volunteer Member from the audience of owners to pick any one piece of paper from the container and the person whose name is picked shall be declared the winner of such election).

##### **Section 3. Number of Directors**

The number of directors in the Association shall be Seven (7) as provided below. The number of Directors may be changed by the amendment of these By-Laws.

Section 4. Term of Office of Director

The term of office of each Director elected by the Members shall be for three (3) years from the date of their election or appointment, with the understanding that a Director may be reelected for additional three-year terms. Each Director shall continue to hold office until his/her successor is appointed or elected and qualified.

Any board member whose term has expired must be elected by Members of the Association.

At the first annual meeting the Members shall elect three (3) directors for a term of one (1) year, and each annual meeting thereafter, the members shall elect the number of Directors needed to fill the vacancies created by the then expiring terms, such new Directors to be elected for a term of one (1) year.

In the event the number of directors increases as provided herein, at no time shall more than one-third (1/3) of the total number of Directors be added to the same election term.

Section 5. Nomination of Directors

The Board may establish a Nominating Committee consisting of a chairperson, who shall be a member of the Board, and three (3) or more Members or representatives of Members. If established, the Nominating Committee shall be appointed by the Board not less than thirty (30) days prior to each annual meeting of the Members to serve a term of one (1) year or until their successors are appointed, and such appointment shall be announced at such annual meeting. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine but in no event less than the number of positions to be filled if a sufficient number of Members have submitted their names as candidates to the Nominating Committee.

Section 6. Removal of Directors and Vacancies

Any director elected by the Members may be removed, with or without cause, by the vote of Members holding a majority of the votes entitled to be cast for the election of such director. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall then and there be elected by the Members entitled to elect the director so removed to fill the vacancy for the remainder of the term of such director.

Any director elected by the Members who has three (3) consecutive unexcused absences from Board meetings or who is delinquent in the payment of any assessment or other charges due the Association or not in compliance with the Restrictions for more than thirty (30) days may be removed by a majority of the total number of directors at a regular or special meeting at which a quorum is present, and a successor may be appointed by the Board to fill the vacancy for the

remainder of the term. In the event of the death, disability, or resignation, a vacancy may be declared by the Board, and the Board may appoint a successor.

B. Meetings

Section 1. Organizational Meetings

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

Section 2. Regular Meetings

Regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the directors, but at least one (1) such meeting shall be held during each fiscal year. Notice of the time and place of the meeting shall be communicated to the directors not less than forty-eight (48) hours prior to the meeting; provided however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to the holding of the meeting.

Alternatively, the Board may schedule a regular meeting date, place and time and, after forwarding notice of the same, shall not have the obligation to give future notices to directors until a change is made.

Section 3. Special Meetings

Special meetings of the Board shall be held when called by written notice issued at the request of the President of the Board or by written resolution of a majority of a quorum of the Board. Notice shall be given to each Director specifying the time and place of the meeting. The notice shall be given to each director by one of the following methods: (a) by personal delivery; (b) written notice by first class mail, postage prepaid; (c) by telephone communication, facsimile, email or other such communication methods, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director. All such notices shall be given at the director's telephone number or sent to the director's address as shown on the records of the Association. Notices sent by first-class mail shall be deposited into a United States mailbox at least forty-eight (48) hours before the time set for the meeting. Notices given by personal delivery, telephone, or email shall be delivered, or telephoned at least seventy-two (72) hours before the time set for the meeting.

Section 4. Waiver of Notice

Before, at or after any meeting of the Board of Directors, any director or Member may, in writing, waive notice of such meeting, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall be deemed to be a waiver of notice, unless the director or Member specifically objects to the date, time, or location of the meeting. If all the directors are present at any meeting of the Board, no notice shall be required, and any business may be transacted at such meeting.

Section 5. Quorum of Board of Directors

At all meetings of the Board, a majority of the total number of directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board. If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors who are present at such meeting may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the date the original meeting was called.

Section 6. Compensation

No director shall receive any compensation from the Association for acting as such; provided, however, that a director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors.

Section 7. Conduct of Meetings

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

Section 8. Open Meetings

(a) All meetings of the Board shall be open to all Members, but Members other than directors may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a director. In such case, the President may limit the time any Member may speak.

(b) Regular and special board meetings must be open to owners, subject to the right of the board to adjourn a board meeting and reconvene in closed executive session to consider actions involving personnel, pending or threatened litigation, contract negotiations, enforcement actions, confidential communications with the property owners' association's attorney, matters involving the invasion of privacy of individual owners, or matters that are to remain confidential by request of the affected parties and agreement of the board. Following an executive session, any decision made in the executive session must be summarized orally and placed in the minutes, in general terms, without breaching the privacy of individual owners, violating any privilege, or disclosing information that was to remain confidential at the request of the affected parties. The oral summary must include a general explanation of expenditures approved in executive session.

(c) Except for a meeting held by electronic or telephonic means under Subsection (h), a board meeting must be held in a county in which all or part of the property in the subdivision is located or in a county adjacent to that county.

(d) The board shall keep a record of each regular or special board meeting in the form of written minutes of the meeting. The board shall make meeting records, including approved minutes, available to a member for inspection and copying on the member's written request to the property owners' association's managing agent at the address appearing on the most recently filed management certificate or, if there is not a managing agent, to the board.

(e) Members shall be given notice of the date, hour, place, and general subject of a regular or special board meeting, including a general description of any matter to be brought up for deliberation in executive session. The notice shall be:

(1) mailed to each property owner not later than the 10th day or earlier than the 60th day before the date of the meeting; or

(2) provided at least 72 hours before the start of the meeting by:

(A) posting the notice in a conspicuous manner reasonably designed to provide notice to property owners' association members:

(i) in a place located on the association's common property or, with the property owner's consent, on other conspicuously located privately owned property within the subdivision; or

(ii) on any Internet website maintained by the association or other Internet media; and

(B) sending the notice by e-mail to each owner who has registered an e-mail address with the association.

(f) It is an owner's duty to keep an updated e-mail address registered with the property owners' association under Subsection (e)(2)(B).

(g) If the board recesses a regular or special board meeting to continue the following regular business day, the board is not required to post notice of the continued meeting if the recess is taken in good faith and not to circumvent this section. If a regular or special board meeting is continued to the following regular business day, and on that following day the board continues the meeting to another day, the board shall give notice of the continuation in at least one manner prescribed by Subsection (e)(2)(A) within two hours after adjourning the meeting being continued.

(h) A board may meet by any method of communication, including electronic and telephonic, without prior notice to owners under Subsection (e), if each director may hear and be heard by every other director, or the board may take action by unanimous written consent to consider routine and administrative matters or a reasonably unforeseen emergency or urgent necessity that requires immediate board action. Any action taken without notice to owners under Subsection (e) must be summarized orally, including an explanation of any known actual or estimated expenditures approved at the meeting, and documented in the minutes of the next

regular or special board meeting. The board may not, without prior notice to owners under Subsection (e), consider or vote on:

- (1) fines;
- (2) damage assessments;
- (3) initiation of foreclosure actions;
- (4) initiation of enforcement actions, excluding temporary restraining orders or violations involving a threat to health or safety;
- (5) increases in assessments;
- (6) levying of special assessments;
- (7) appeals from a denial of architectural control approval; or
- (8) a suspension of a right of a particular owner before the owner has an opportunity to attend a board meeting to present the owner's position, including any defense, on the issue.

#### Section 9. Executive Session

The Board may close a portion of its meetings for the purpose of discussing items and issues in Executive Session as allowed by law and described above.

### C. Powers and Duties

#### Section 1. Powers

The Board shall be responsible for the affairs of the Association and shall have all of the powers necessary for the administration of the Association's affairs.

The Board may delegate to one (1) or more of its members the authority to act on behalf of the Board on all matters relating to the duties of the managing agent or manager, if any, that might arise between meetings of the Board.

In addition to the duties imposed by these Bylaws, Texas law or by any resolution of the Association that may hereafter be adopted, the Board shall have the power to establish policies relating to, and for performing or causing to be performed, the following, in way of explanation but not limitation:

- (a) preparing and adopting of annual budgets;
- (b) making assessments, establishing the means and methods of collecting such assessments and establishing the payment schedule for special assessments;
- (c) collecting assessments, depositing the proceeds thereof in a bank depository that it shall approve, and using the proceeds to operate the Association; provided any

reserve funds may be deposited, in the directors' best business judgment, in depositories other than banks;

(d) providing for the operation, care, upkeep and maintenance of all Common Areas, including entering into a contract to provide for such operation, care, upkeep and maintenance;

(e) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Areas in accordance with the other provisions of the Restrictions and these Bylaws after damage or destruction by fire or other casualty;

(f) designating, hiring, and dismissing the personnel necessary for the operation of the Association and the maintenance, operation, repair, and replacement of its Property and the Common Areas and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

(g) making and amending rules and regulations and promulgating, implementing and collecting fines for violations and/or collecting fees related to enforcement of the rules and regulations, the Restrictions upon request of an owner, and all Dedicatory Instruments (as that term is defined in the Texas Property Code) for the Waterwood Park subdivision. Provided however, upon receiving a request from an owner to enforce the Restrictions, the Board shall have the discretion to analyze the complaint received to determine if enforcement is economically reasonable and in best interest of the community;

(h) opening of bank accounts on behalf of the Association and designating the signatories required;

(i) upon the request of an owner, enforcing by legal means the provisions of the Restrictions, including the provisions concerning architectural control, these Bylaws, and the rules and regulations adopted by the Association and bringing any proceedings that may be instituted on behalf of or against the owners concerning the Association;

(j) obtaining and carrying insurance against casualties and liabilities with policy limits, coverage and deductibles as deemed reasonable by the Board and paying the premium cost thereof;

(k) paying the cost of all services rendered to the Association or its Members and not chargeable directly to specific owners;

(l) keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred;

(m) maintaining a membership register reelecting, in alphabetical order, the names, property addresses and mailing addresses of all Members;

(n) making available upon request by any prospective purchaser, any owner, any first Mortgagee, and the holders, insurers, and guarantors of a first Mortgage on any property, copies of the Restrictions, the Certificate of Formation, the Bylaws, rules governing such property and all other books, records, and financial statements of the Association consistent with Section 209.005 of the Texas Property Code as described below; and

(o) permitting utility suppliers to use portion of the Common Areas reasonably necessary to the ongoing development or operation of the Property.

## Section 2. Management

The Board may employ for the Association a professional management agent or agents at a compensation established by the Board to perform such duties and services as the Board shall authorize. The Board may delegate to the managing agent or manager, subject to the Board's supervision, all of the powers granted to the Board by these Bylaws, other than the powers set forth in subparagraphs (b), (g), and (i) of Section C(1) of this Article or as otherwise prohibited by law. In the event that the Association employs a manager, the manager may not be an Owner and/or resident in the Waterwood Park subdivision.

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

(a) Accrual or cash accounting, as defined by generally accepted accounting principles, shall be employed.

(b) Accounting and controls should conform to generally accepted accounting principles.

(c) Cash account of the Association shall not be commingled with any other accounts.

(d) No remuneration without full disclosure and prior agreement of the Board, or as contained in a written management contract, shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise.

Provided however, the Board can adopt a policy setting a value under which anything received is not considered remuneration.

(e) Any financial or other interest that any director, or the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board.

- (f) Commencing at the end of the month in which the first lot is sold and closed, financial reports may be prepared for the Association monthly containing:
  - (i) an income statement reflecting all income and expense activity for the preceding period on an accrual or cash basis;
  - (ii) a statement reflecting all cash receipts and disbursements for the preceding period;
  - (iii) a variance report reflecting the status of all accounts in an “actual” versus “approved” budget format;
  - (iv) a balance sheet as of the last day of the preceding period and
  - (v) a delinquency report listing all owns who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments that remain delinquent.
- (g) An annual report consisting of at least the following shall be made available at the annual meeting of Members to all Members within one hundred twenty (120) days after the close of the fiscal year: (1) a balance sheet; (2) an operating (income) statement; and (3) a statement of changes in financial position for the fiscal year. The annual report referred to above may be prepared on an audited or reviewed basis, as determined by the Board, by an independent public accountant.

### Section 3. Borrowing

The Board shall have the power to borrow money for the purpose of maintenance, repair or restoration of the Common Areas or for any other proper purpose without the approval of the Members of the Association. The Board, on behalf of the Association, may pledge the Association’s assessments and assign the Association’s lien rights as collateral for any loan obtained by the Board on behalf of the Association.

### Section 4. Rights of the Association

With respect to the Common Areas and in accordance with the Certificate of Formation and the Restrictions, the Board shall have the right to contract with any person or entity for the performance of various duties and functions. Without limiting the foregoing, this right shall entitle the Board to enter into common management, operation, or other agreements with trust, condominiums, cooperatives, or other neighborhood owner or resident associations, both with

and without the Property. Such agreements shall require the consent of a majority of the total number of directors of the Board.

The Association shall not be bound, either directly or indirectly, by any contract, lease, or other agreement (including any management contract) unless such contract, lease or other agreement contains a right of termination exercisable by either party without penalty with no more than sixty (60) days written notice of termination, with or without cause. Such notice of termination must be submitted in writing, with receipted delivery confirmation, to all parties to the contract, lease or other agreement.

#### Section 5. Enforcement

After notice and opportunity to cure and be heard, if same is required by law, the Board shall have the power to impose reasonable fines, charge an owner for property damage, suspend an owner's right to vote (except in matters concerning the election of board members or on any matter concerning the rights or responsibilities of the owner), suspend an owner's right to use the Common Areas or file suit against an owner or seek other relief as allowed by law, for violation of the Restrictions, these Bylaws, or any rules and regulations duly adopted by the Board; provided, however, nothing herein shall authorize the Association or the Board to limit ingress and egress to or from a lot. In addition, the Board shall be entitled to suspend any services provided by the association to a lot in the event that the owners of such lot is more than thirty (30) days delinquent in paying any assessment due to the Association. In the event that an occupant, guest or invitee of a lot owner violated the Restrictions, Bylaws, or a rule or regulation and a fine is imposed, the fine shall first be assessed against the occupant and/or owner; provide, however, if the fine is not paid by the occupant within the time period set by the Board, the owner shall pay the fine upon notice from the Association. The failure of the Board to enforce any provision of the Restrictions, Bylaws, or any rule or regulation shall not be deemed a waiver of the right of the Board to do so thereafter.

As provided in the Restrictions and these By-laws, each owner is obligated to pay to the Association certain charges and assessments, including such charges and assessments as may be included, from time to time, by amendment to the Restrictions. All costs, expenses and fees charged to, or paid by, the Association in collecting, or attempting to collect, such charges and assessments, as well as interest as specified in the Restrictions, shall be assessed against the owner and the lot as allowed by law and shall become part of the assessments due on the owner's lot. Likewise, all costs, expenses, and fees incurred by the Association in rectifying, or attempting to rectify, a violation of the Restrictions, Rules and Regulations, the guidelines, or Board Policies, shall be assessed against the owner and the lot as allowed by law, and shall become part of the assessments due on the lot. Such costs, expenses, and fees may include, but are not limited to:

- (a) actual expenses, including attorney fees and court costs;

(b) a Late Processing Fee may be set annually by the Board, which may be assessed for any account that has an unpaid balance on or after thirty (30) days after due date, as an inducement to pay on time and to offset administrative costs and expenses incurred in the collection process;

(c) a Dishonored- Check Processing Fee, set by the Board, which may be assessed for any payment check dishonored the bank, to offset the additional processing cost incurred;

(d) a Partial Payment Processing Fee, set by the Board, which may be assessed if any payment for less than the full amount due at the time payment is made, to offset the additional processing costs incurred;

(e) an Administrative Fee which may be assessed for the transfer of ownership of any lot, including by foreclosure, to offset the administrative costs and expenses associated with (1) quoting, verbally or in writing, the status of the assessments and other charges due to the lot, (2) tracking, researching, and determining or attempting to determine ownership, (3) updating the books and records of the Association to reflect the transfer and (4) preparing and mailing introductory information regarding the subdivision, the Association, and/or covenants, conditions, restrictions, rules, and regulations applicable to the new owner; and

(f) A Refinance fee which may be assessed for the refinance of any lot, to offset the administrative costs and expenses associated with quoting the status of the assessments and other charges due on the lot and updating the books and records of the Association.

(g) A reasonable fee to assembly, copy, delivery and update a Resale Certificate.

Any such assessment or charge that is not paid when due shall be delinquent.

All payments received by the Association from the owner shall be applied to the owner's debt in priority as described by Texas Property Code Section 209.0063.

Notwithstanding anything to the contrary herein contained, the Association, acting through the Board, may elect to enforce any provision of the Restrictions, these Bylaws, or the rules and regulations of the Association by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations and performed exterior maintenance) or by suit at law or in equity to enjoin any violation or to recover monetary damages or both without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the owner or occupant responsible for the violation of which abatement is sought shall pay all costs, fines, costs to repair, including reasonable attorneys' fees actually incurred.

To the extent permitted by law, the Association reserves the right to pursue foreclosure and sale of an owner's property as a means of enforcing the Restrictions, these Bylaws, or the rules and regulations of the Association.

To the extent required by law, Members will be provided notice and hearing as described in Texas Property Code Sections 209.006 and 209.007 before enforcement action may be taken by the Association.

Section 6. Assignment of Developer Rights

Pursuant to that certain Assignment of Developer Rights and Waterwood Maintenance, LLC Rights re: Waterwood Park Subdivision signed by Waterwood Development Company, L.P. and Waterwood Maintenance, LLC, the Association has received any and all of the rights, title, authority, and interest retained by Developer under the Restrictions, including but not limited to the right to collect assessments and other charges from owners.

Section 7. Assessments and Dues

Assessments. Each Member is obligated to pay to the Association annual assessments as established from time to time by the Board of Directors.

All homeowners that wish to use facilities governed by the Association shall pay to the Association such assessment beginning the first day of the month following receipt of the notice that such Assessment is due, or any other date set by the Board.

The assessments levied by the Board of Directors for membership in the Association are intended to generate funds to be expended for the general benefit of all property owners in the Waterwood Park Subdivision.

In addition to the assessment authorized above, the Board of Directors may levy, in any year, a special assessment applicable to that year only, for the purpose of defraying in whole or part, additional expenses as may be incurred or needed by the Association, provided that any such assessment shall have the assent of two-thirds (2/3rds) of the votes of all Members of the Association.

No Member may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Areas or of the Member's lot.

## ARTICLE IV. OFFICERS

### A. Officers

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

### B. Election, Terms of Office and Vacancies

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

### C. Removal

Any officer may be removed from office, but not as a director of the Board, with or without cause, by a majority vote of the Board whenever in its judgment the best interest of the Association will be served thereby.

### D. Powers and Duties

The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time specifically to be conferred or imposed by the Board. The Treasurer shall have primary responsibility for the preparation of the budget as provided for herein and may delegate all or part of the preparation and notification duties to a finance committee, management agent or both. The duties of the officers of the Association shall include but not be limited to the following:

1. President: The President, or his/her designee, shall be the presiding officer at all meeting of the Board and/or Members. The President shall authenticate by his/her signature, when necessary, all acts, orders, policies, resolutions and proceedings of the Board and/or Members.

2. First Vice President: In the absence of the President, the First Vice President shall serve in his/her stead. In the event that the President ceases to serve, the Vice President shall automatically succeed to fill the remaining term of the vacating President.

3. Second Vice President: In the absence of the First Vice President, the Second Vice President shall serve in his/her stead.

4. Secretary: The Secretary is the recording officer of the Association and the custodian of records, except those specifically assigned to others, such as the Treasurer's books.

The Secretary, or his/her designee, shall keep a record of all of the proceedings of the Board and/or the Members, keep on file all committee reports, keep the Association's official membership roll, to sign all certified copies of acts of the Association, and to send notice of meetings of the Board and/or the Members.

5. Treasurer: The Treasurer is the chief financial officer of the Association. The Treasurer is the officer entrusted with the custody of the funds of the Association. The Treasurer cannot disburse funds except by the authority of the Board. The Treasurer shall make a full financial report annually and such interim reports as the Board may request. The Treasurer shall oversee assessments and fees, prepare and file all tax returns and reports that may be required, and maintain a ledger of each Member's account.

E. Resignation

Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. For the purposes of this Subsection E, written resignation to the Board may be accomplished by facsimile, electronic transmission, certified mail, or receipted hand delivery.

F. Agreements, Contracts, Deed, Leases, Checks, Etc.

All agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by at least two (2) officers or such other person or persons as may be designated by resolution of the Board.

## **ARTICLE V. COMMITTEES**

The Board is hereby authorized to establish committees, including but not limited to an Architectural Control Committee ("ACC"), to perform such tasks and to serve for such periods as may be designated by a resolution or policy adopted by a majority of the directors present at a meeting at which a quorum is present. Each committee established by the Board shall operate in accordance with the terms of the resolution of the Board designating the committee and in accordance with such rules as are adopted by the Board. All committees of the Board shall be vested with advisory powers only and are not authorized to act on behalf of the Board unless specifically vested with decision-making authority by the Board at the time committee is created by the Board.

## **ARTICLE VI. CONFLICT OF INTEREST POLICY**

The purpose of this Conflict of Interest Policy (the "Policy") is to protect the Association when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, director, manager or committee member of the Association, or might result in a possible excess benefit transaction. A conflict of interest can arise when an officer, director, manager or committee member is in a position of authority within the Association and may

benefit financially, either directly or indirectly, from a decision he/she could make in such capacity. This includes indirect financial benefits that could accrue to such persons family members or businesses with which such person is closely associated. This Policy is intended to supplement, but not replace, any applicable state and federal laws govern conflict of interest applicable to nonprofit corporations and homeowners associations, including but not limited to Section 209.0052 of the Texas Property Code. The provisions of Section 209.0052 of the Texas Property Code and other applicable law shall prevail to the extent that any conflict or ambiguity is created by this Article.

A. Definitions

“Interested Person” means any officer, director, manager, employee, or committee member with board delegated powers who has a direct or indirect Financial Interest, as defined below.

“Financial Interest” A person has a Financial Interest if the person has, directly or indirectly, through business, investment or family:

- a. an ownership of investment interest in an entity with which the Association has a transaction or arrangement;
- b. a compensation arrangement with the Association or with any entity or individual with which the Association has a transaction or arrangement or;
- c. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Association is negotiating a transaction or arrangement.

A Financial Interest is not necessarily a conflict of interest. A person who has a Financial Interest may have a conflict of interest only if the Board, or a committee designated by the Board, decides that a conflict of interest exist as provided in this Policy.

“Compensation” includes direct and indirect remuneration, benefits, as well as gifts or favors that are not insubstantial.

B. Conflict of Interest

A conflict of interest may arise under the following circumstances:

1. when some outside influence affects, or may affect that person’s ability to make an unimpeded, independent decision in a particular situation.
2. when an individual owes duties to separate entities whose interests conflict.
3. an officer’s director’s, manager’s or committee member’s action on behalf of the Association is influenced by interests other than those of the Association.

C. Interest Director

The director, manager, or committee member shall:

1. disclose any actual or possible conflict of interest to the board, and be given the opportunity to disclose all material facts to the directors considering the proposed transaction or arrangement;
2. avoid even the appearance of a conflict of interest;
3. make a full and complete written disclosure of all relevant facts to the board prior to any dealings which may be in conflict for the officer, director, manager or committee member;
4. obtain specific authorization from the board in writing before proceeding with any action which may create a conflict of interest. This authorization should also be recorded in the minutes of the board.

D. Procedure

1. After disclosure of a Financial Interest, or actual or possible conflict of interest, and all material facts, and after any discussion with the Interested Person, he/she shall leave the board meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board members shall decide if a conflict of interest exists, even if less than a quorum of the board remains.
2. The presiding officer of the board shall, if appropriate, appoint a disinterested person or director to investigate alternatives to the proposed transaction or arrangement.
3. After exercising due diligence, the board shall determine whether the Association can obtain, with reasonable efforts, a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
4. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the board shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Association's best interest, for its own benefit, and whether it is fair and reasonable. Based upon these criteria, the board shall make the decision as to whether to enter into the transaction or agreement.
5. A contract or transaction between the Association and one or more of its officers, directors, managers or committee members, or between the Association and any other corporation, partnership, association, or other organization in which one or more of its officers, director, managers or committee members have a Financial Interest, is not void or voidable solely for that reason, solely because the officer, officers, director, manager or committee member is present at or participates in the meeting of

the board that authorizes the contract or transaction, or solely because the officer's director's manager's or committee member's votes are counted for that purpose, if:

a. The material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known to the board, the committee, or the members and the board, committee, or members in good faith and with ordinary care authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors or members, even though the disinterested directors or members are less than a quorum;

b. the material facts as to the relationship or interest and as to the contract or transaction are disclosed or known to the board or members entitled to vote on the contract or transaction, and the contract or transaction is specifically approved in good faith and with ordinary care by vote of the disinterested board or members; or

c. the contract or transaction is fair to the Association when it is authorized, approved or ratified by the board, a committee of the board, or the members

6. Interested officers, directors, managers or committee members may be counted in determining the presence of a quorum at a meeting of the board or of the members that authorizes the contract or transaction.

E. Violations of This Policy

1. If the board has reasonable cause to believe an officer, director, manager, or committee member has failed to disclose an actual or possible conflict of interest, it shall inform the Interested Person of the basis for such belief and afford the Interested Person an opportunity to explain the alleged failure to disclose.

2. If, after hearing the Interested Person's response and after making investigation (if warranted by the circumstances) the board determines that the Interested Person has failed to disclose an actual or possible conflict of interests, the board shall take appropriate disciplinary and correction action as it determines appropriate in its sole discretion.

**ARTICLE VII. MISCELLANEOUS**

A. Fiscal Year

The fiscal year of the Association shall be January 1<sup>st</sup> to December 31<sup>st</sup> of each year.

B. Parliamentary Rules

For all meetings of the Board and/or the Association, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings unless there is a conflict between Robert's Rules of Order and Texas law, the Certificate of Formation, the Restrictions, or these Bylaws. In the event of such a conflict, Robert's Rules of Order shall not control in regards to the conflict. However, the Association and/or the Board may elect, by Board resolution, to suspend the use of Robert's Rules of Order for any particular meeting.

C. Conflicts

If there are conflicts between the provision of Texas law, the Certificate of Formation, the Restrictions, and/or these Bylaws, then the provisions of Texas law, the Restrictions, the Certificate of Formation and the Bylaws (in that order) shall prevail.

D. Books and Records

Section 1. Inspection by Members and Mortgagees

The books and records of the Association, including the Restrictions, Bylaws and Certificate of Formation, any amendments to the foregoing, the rules and regulations of the Association, the membership register, books of account, financial records, and the minutes of meetings of the Members, the Board, and committees shall be made available for inspection and copying consistent with Section 209.005 of the Texas Property Code.

Section 2. Inspection by Directors

Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical property owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the expense of the Association.

E. Notices

Unless otherwise provided by law or these Bylaws, all notices, demands, bills, statements, or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by the United States mail, first-class postage pre-paid or e-mail;

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

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

F. Amendment

These Bylaws may be amended (i) by the affirmative vote or written consent, or any combination thereof, of a majority of the Board present, at any regular or special meeting; or (ii) by the affirmative vote of a majority of Members at a meeting of the Members where twenty percent (20%) of the total votes of the Association are present in person, by proxy, or as allowed by these by-laws or by law. Notwithstanding the above, the percentage of votes or other approval necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

G. Indemnity

To the fullest extent permitted by applicable law, the Association shall and does hereby agree to indemnify, protect, hold harmless and defend its officers, directors, and committee members, hereinafter referred to as "Indemnitees" from and against all claims, demands, damages, injuries, losses, liens, causes of action, suits, judgments, penalties, liabilities, debts, costs and expenses, including court costs and attorneys' fees (collectively, "Liabilities"), of any nature, kind or description, whether arising out of contract, tort, strict liability, misrepresentation, violation of applicable law and/or any cause whatsoever (including without limitation, claims for injuries to or death of any person, or damages to or loss of any property) of any person or entity directly or indirectly arising out of, caused by, in connection with, or resulting from any act or omission of any of the Indemnitees; provided, however, that the Association shall not indemnify the Indemnitees for any Liabilities arising as a result of the gross negligence or willful misconduct of Indemnitees. THE OBLIGATION OF THE ASSOCIATION UNDER THIS SECTION SHALL APPLY TO LIABILITIES EVEN IF SUCH LIABILITIES ARE CAUSED IN WHOLE OR IN PART BY THE SOLE, JOINT OR CONCURRENT NEGLIGENCE, FAULT OR STRICT LIABILITY OF ANY INDEMNITEE AND WHETHER OR NOT SUCH SOLE OR CONCURRENT NEGLIGENCE, FAULT OR STRICT LIABILITY WAS ACTIVE OR PASSIVE.

The Indemnitees shall promptly advise the Association in writing of any action, administrative or legal proceeding or investigation as to which indemnification may apply, and the Association, at the Association's expense, shall assume on behalf of Indemnitees and conduct with due diligence and in good faith the defense thereof with competent trial counsel, provided, however that Indemnitees shall have the right, at their own option, to be represented therein by advisory counsel of their own selection and at their own expense.

In the event of the failure by Association to fully perform its obligations in accordance with this Section, Indemnitees, at their option, and without relieving the Association of its obligations hereunder, may so perform, but all costs and expenses so incurred by Indemnitees in that event shall be reimbursed by the Association to Indemnitees, together with interest, on the same from the date any such expense was paid by Indemnitees until reimbursed by the Association, at the highest lawful rate of interest allowed under applicable usury laws of the State of Texas (or if no maximum rate is applicable, at the rate of eighteen percent (18%) per annum). The indemnification shall not be limited to damages, compensation or benefits payable under insurance policies. It is agreed with respect to any legal limitations now or hereafter in

effect and affecting the validity or enforceability of the indemnification obligations under this Section, such legal limitations are made a part of indemnification obligations and shall operate to amend the indemnification obligations to the minimum extent necessary to bring the provisions into conformity with the requirements of such limitations, and as so modified, the indemnification obligations shall continue in full force and effect.

H. Business Judgment Rule

Any act or thing done by any Director, Officer, or Committee Member taken in furtherance of the purposes of the Association, and accomplished in conformity with the procedures set forth in the Restrictions, Certificate of Formation, the laws of the State of Texas, and/or these Bylaws, shall be reviewed under the standard of the Business Judgment Rule as established by the common law of Texas, and such act or thing done shall not be a breach of duty on the part of the Director, Officer, or Committee Member if they have been done within the exercise of their discretion and judgment.

The Business Judgment Rule means that a court shall not substitute its judgment for that of the Director, Officer or committee Member. A court shall not re-examine the quality of the decisions made by the Director, Officer, or Committee Member by determining the reasonableness of the decision as long as the decision is made in good faith in what the Director, Officer, or Committee Member believes to be the best interest of the corporation.

I. Owner Conflict

If an owner is involved in litigation with the Association as to a conflict of interpretation of the Restrictions, the Certificate of Formation for the Waterwood Park Owners Association, rules and regulations promulgated by the Association, duly adopted Board Policies, or these Bylaws, and/or the amount of delinquent assessments after notice and an opportunity to be heard if required by law, an owner's right to use of facilities may be withheld to the extent allowed by law.

J. Dissolution/Winding-Up Termination

The corporation may be wound-up/dissolved pursuant to the provisions of the Association's by-laws.

APPROVED BY:

\_\_\_\_\_  
[NAME GOES HERE]

\_\_\_\_\_  
[NAME GOES HERE]

\_\_\_\_\_  
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\_\_\_\_\_  
[NAME GOES HERE]

CERTIFICATION

I, the undersigned, do hereby certify:

That I am duly elected and acting Secretary of Waterwood Park Property Owners' Association, Inc., a Texas non-profit corporation;

That the foregoing Bylaws constitute the original First Amended Bylaws of said Association, as duly adopted at a meeting of the Board of Directors where a quorum was present held on the \_\_\_ day of \_\_\_\_\_, 20\_\_.

By: \_\_\_\_\_  
[NAME GOES HERE]

STATE OF TEXAS           §  
                                          §  
COUNTY OF \_\_\_\_\_ §

BEFORE ME, on this day personally appeared \_\_\_\_\_, the Secretary of Waterwood Park Property Owners Association, Inc., known by me to the person whose name is subscribed to the foregoing instrument, and acknowledged to me that s/he executed the same for the purposes and consideration therein expressed and in the capacity therein and herein stated, and as the act and deed of the said corporation.

SUBSCRIBED and SWORN TO BEFORE ME, the undersigned authority, on this the \_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
NOTARY PUBLIC, STATE OF TEXAS  
Commission Expires: \_\_\_\_\_