

BYLAWS OF COUNTRY CLUB ESTATES HOMEOWNERS' ASSOCIATION, INC.

These Bylaws govern the affairs of Country Club Estates Homeowners' Association, Inc., a nonprofit corporation organized under the Texas Non-Profit Corporation Act.

ARTICLE 1

OFFICES

1.01. Principal Office. The principal office of the Association in the State of Texas shall be located at 1202 West Court, Seguin, Texas 78155. The Association may have such other offices, either in Texas or elsewhere, as the Board of Directors may determine. The Board of Directors may change the location of any office of the Association.

1.02. Registered Office and Registered Agent. The Association shall comply with the requirements of the Act and maintain a registered office and registered agent in Texas. The registered office may, but need not, be identical with the Association's principal office in Texas. The Board of Directors may change the registered office and the registered agent as provided in the Act.

ARTICLE 2

DEFINITIONS

2.01. "*Act*" shall mean and refer to the Texas Non-Profit Corporation Act.

2.02. "*Association*" shall mean and refer to Country Club Estates Homeowners' Association, Inc., its successors and assigns.

2.03. "*Bylaws*" refers to these Bylaws.

2.04. "*Common Area*" shall mean all real property owned by the Association for the common use and enjoyment of the Owners.

2.05. "*Declarant*" shall mean and refer to Seguin Country Club Estates, L.L.C., its successors and assigns if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the Purpose of development.

2.06. "*Declaration*" shall mean and refer to the Declaration of Covenants, Conditions, and Restrictions For Country Club Estates Subdivision recorded in Volume 1176, Pages 963-986 of the Official Public Records of Guadalupe County, Texas and any amendments thereto.

2.07. "*Lot*" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area.

2.08. "*Member*" shall mean and refer to those persons entitled to membership as provided in the Declaration.

2.09. "*Owner*" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

2.10. "*Properties*" shall mean and refer to that certain real property known as Country Club Estates, a subdivision in Guadalupe County, Texas, according to the map or plat thereof recorded in Volume 5, Pages 268 A & B and 269 A & B of the Map & Plat Records of Guadalupe County, Texas; and any amended or supplemental plats or annexed real property.

ARTICLE 3

MEMBERS

3.01. Voting Rights. There shall be two classes of membership entitled to voting rights in the Association with respect to the Subdivision and they shall be as follows:

(a) **Class A.** All Owners other than Declarant, shall be considered Class A members, and for each Lot owned shall be entitled to one (1) vote on each matter coming before the Members at any meeting or otherwise, unless their voting rights have been suspended by the Board of Directors as therein provided in Article VIII, Section A.4 of the Declaration. When a particular Lot is owned by more than one individual or entity, all the individuals or entities holding an ownership interest in that Lot shall be considered Class A members; however, for that particular Lot they shall be entitled to a total of no more than one vote on each matter coming before the members at any meeting or otherwise. The vote for such Lot shall be exercised as they among themselves determine.

(b) **Class B.** Class B member shall be the Declarant, and for each Lot owned it shall be entitled to three (3) votes on each matter coming before the members at any meeting or otherwise. Once a Lot is sold to an individual or individuals who would be classified as Class A members, subject to paragraph © below, the three (3) votes attached to that Lot shall be extinguished, subject to paragraph © below. All Class B memberships with respect to the Subdivision shall cease and be automatically converted into Class A memberships on the happening of any of the following events, whichever occurs earlier:

(i) When the total number of votes entitled to be cast by the Class A members, with respect to the Subdivision, at any meeting of the Members or otherwise equals the total number of votes entitled to be cast by the Class B member, with respect to the Subdivision;

(ii) Ten (10) years from the date the Declaration was filed in the Official Public Records of Guadalupe County, Texas; or

(iii) At such earlier time as the Class B Member, in its sole discretion, shall elect.

(c) **Reinstatement of Class B Member.** Notwithstanding the prior provisions of paragraph (b) above, if additional land is subject to the jurisdiction of the Association such that the Declarant owns more than 25% of all Lots (including all Lots within the jurisdiction of the Association), then the provisions in the first sentence of Section (b) above shall be automatically reinstated ipso facto.

3.02. Membership Dues And Assessments. The Board of Directors may set and change the amount and due date(s) of annual dues and assessments payable to the Association by members.

ARTICLE 4

MEETING OF MEMBERS

4.01. Annual Meetings. The first annual meeting of the members shall be held within one year from the date of incorporation of the Association, and each subsequent regular annual meeting of the members shall be held on the same day of the same month each year thereafter, at the hour set by the Board Of Directors. If the day for the annual meeting of the members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday. If, in any year, the election of directors is not held on the day designated for the annual meeting, or at any adjournment of the annual meeting, the Board of Directors shall call a special meeting of the members as soon thereafter as possible to conduct the election of directors.

4.02. Special Meetings. Special meetings of the members may be called at any time by the president or by the Board of Directors, or upon written request of the members who are entitled to vote twenty percent (20%) of all of the votes of the membership.

4.03. Place of Meeting. The Board of Directors may designate any place, within Guadalupe County, Texas, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If the Board of Directors does not designate the place of meeting, the meeting shall be held at the registered office of the Association in Texas.

4.04. Notice of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least 15 days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

4.05. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, twenty percent (20%) of the votes of the membership shall constitute a quorum for any action except as otherwise provided in the Act, the Articles Of Incorporation, the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented. The members present at a duly called or held meeting at which a quorum is present may continue to transact business even if enough members leave the meeting so that less than a quorum remains. However, no action may be approved without the vote of at least a majority of the number of members required to constitute a quorum. If a quorum is present at no time during a meeting, a majority of the members present may adjourn and reconvene the meeting one time without further notice.

4.06. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his Lot.

ARTICLE 5

BOARD OF DIRECTORS, SELECTION, TERM OF OFFICE

5.01. Number. The affairs of this Association shall be managed by a Board of Directors, who need not be members of the Association. The number of Directors shall be a three unless changed by the members.

5.02. Term Of Office. Each director shall serve for a term of one year.

5.03. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

5.04. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties. A director may serve the Association in any other capacity and receive compensation for those services.

ARTICLE 6

NOMINATION AND ELECTION OF DIRECTORS

6.01. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or non-members.

6.02. Election. Election to the Board of Directors shall be by secret written ballot. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

6.03. Vacancies. Any vacancy occurring in the Board of Directors, and any director position to be filled due to an increase in the number of directors, shall be filled by the Board of Directors. A vacancy is filled by the affirmative vote of a majority of the remaining directors, even if it is less than a quorum of the Board of Directors, or if it is a sole remaining director. A director elected to fill a vacancy shall be elected for the unexpired term of the predecessor in office.

ARTICLE 7

MEETINGS OF DIRECTORS

7.01. Annual Meeting. The annual meeting of the Board of Directors may be held without notice other than these Bylaws. The annual meeting of the Board of Directors shall be held immediately after, and at the same place as, the annual meeting of members.

7.02. Regular Meetings. The Board of Directors may provide for regular meetings by resolution stating the time and place of such meetings. The meetings may be held within Guadalupe County, Texas and shall be held at the Association's registered office in Texas if the resolution does not specify the location of the meetings. No notice of regular meetings of the Board is required other than a resolution of the Board of Directors stating the time and place of the meetings.

7.03. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the president or any two directors. A person or persons authorized to call special meetings of the Board of Directors may fix any place within Guadalupe County, Texas as the place for holding a special meeting. The person or persons calling a special meeting shall notify the secretary of the information required to be included in the notice of the meeting. The secretary shall give notice to the directors as required in the Bylaws.

7.04. Notice. Written or printed notice of any special meeting of the Board of Directors shall be delivered to each director not less than seven nor more than thirty days before the date of the meeting. The notice shall state the place, day, and time of the meeting, who called the meeting, and the purpose or purposes for which the meeting is called.

7.05. Quorum. A majority of the number of directors then in office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The directors present at a duly called or held meeting at which a quorum is present may continue to transact business even if enough directors leave the meeting so that less than a quorum remains. However, no action may be approved without the vote of at least a majority of the number of directors required to constitute a quorum. If a quorum is present at no time during a meeting, a majority of the directors present may adjourn and reconvene the meeting one time without further notice.

7.06. Proxies. A director may vote by proxy executed in writing by the director. No proxy shall be valid after three (3) months from the date of its execution.

ARTICLE 8

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

8.01. Powers. The Board of Directors shall have power to:

(a) Adopt and publish rules and regulations governing the use of the Common Area 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 assessment levied by the Association.

(c) Exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of the Act, these Bylaws, the Articles Of Incorporation, or the Declaration;

(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; and

(e) Employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

8.02. Duties. 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;

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

(c) As more fully provided in the Declaration, to:

(i) fix the amount of the annual assessment against each Lot;

(ii) send written notice of each assessment to every Owner subject thereto; and

(iii) foreclose the lien against any property for which assessments are not paid or to bring an action at law against the owner personally obligated to pay the same.

(d) Issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made 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; and

(g) Cause the Common Area to be maintained;

(h) Cause the exterior of the dwellings to be maintained.

8.03. Standard Of Care. Directors shall discharge their duties, including any duties as committee members, in good faith, with ordinary care, and in a manner they reasonably believe to be in the best interest of the corporation. Ordinary care is care that ordinarily prudent persons in similar positions would exercise under similar circumstances. In the discharge of any duty imposed or power conferred on directors, they may in good faith rely on information, opinions, reports, or statements, including financial statements and other financial data, concerning the corporation or another person that were prepared or presented by a variety of persons, including officers and employees of the corporation, professional advisors or experts such as accountants or legal counsel. A director is not relying in good faith if the director has knowledge concerning a matter in question that renders reliance unwarranted. Directors are not deemed to have the duties of trustees of a trust with respect to the corporation or with respect to any property held or administered by the corporation, including property that may be subject to restrictions imposed by the donor or transferor of the property.

ARTICLE 9

OFFICERS AND THEIR DUTIES

9.01. Enumeration of Offices. The officers of this Association shall be a president and vice-president, who shall at all times be members of the Board of Directors, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

9.02. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

9.03. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise be disqualified to serve.

9.04. Special Appointments. The Board may elect such other officers as the affairs of the Association

may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

9.05. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. 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.

9.06. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

9.07. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 9.04 of this Article.

9.08. Duties. The duties of the officers are as follows:

(a) **President.** The president shall be the chief executive officer of the Association. The president shall supervise and control all of the business and affairs of the Association. The president shall preside at all meetings of the members and of the Board of Directors. The president may execute any deeds, mortgages, bonds, contracts, or other instruments that the Board of Directors have authorized to be executed. However, the president may not execute instruments on behalf of the Association if this power is expressly delegated to another officer or agent of the Association by the Board of Directors, the Bylaws, or statute. The president shall perform other duties prescribed by the Board of Directors and all duties incident to the office of president.

(b) **Vice-President.** When the president is absent, is unable to act, or refuses to act, a vice president shall perform the duties of the president. When a vice president acts in place of the president, the vice president shall have all the powers of and be subject to all the restrictions upon the president. If there is more than one vice president, the vice presidents shall act in place of the president in the order of the votes received when elected. A vice president shall perform other duties as assigned by the president or board of directors.

(c) **Secretary.** The Secretary shall:

- (i) Give all notices as provided in the Bylaws or as required by law.
- (ii) Take minutes of the meetings of the members and of the Board of Directors and keep the minutes as part of the corporate records.
- (iii) Maintain custody of the corporate records and of the seal, if any, of the Association.
- (iv) Affix the seal of the Association to all documents as authorized.
- (v) Keep a register of the mailing address of each member, director, officer, and employee of the Association.
- (vi) Perform duties as assigned by the president or by the Board of Directors.
- (vii) Perform all duties incident to the office of secretary.

(d) **Treasurer.** The treasurer shall:

- (i) Have charge and custody of and be responsible for all funds and securities of the Association.
- (ii) Receive and give receipts for moneys due and payable to the Association from any source.
- (iii) Deposit all moneys in the name of the Association in banks, trust companies, or other depositories as provided in the Bylaws or as directed by the Board of Directors or president.
- (iv) Write checks and disburse funds to discharge obligations of the Association. Funds may not be drawn from the Association or its accounts for amounts greater than \$100.00 the signature of the president or a vice president in addition to the signature of the treasurer.
- (v) Maintain the financial books and records of the Association.
- (vi) Prepare financial reports.
- (vii) Perform other duties as assigned by the president or by the Board of Directors.
- (viii) If required by the Board of Directors, give a bond for the faithful discharge of his or her duties in a sum and with a surety as determined by the Board of Directors.
- (ix) Perform all of the duties incident to the office of treasurer.

ARTICLE 10

NOTICES

10.01. Notice by Mail or Telegram. Any notice required or permitted by the Bylaws to be given to a member, director, officer, or member of a committee of the Association may be given by mail or telegram. If mailed, a notice shall be deemed to be delivered when deposited in the United States mail addressed to the person at his or her address as it appears on the records of the Association, with postage prepaid. If given by telegram, a notice shall be deemed to be delivered when accepted by the telegraph company and addressed to the person at his or her address as it appears on the records of the Association. A person may change his or her address by giving written notice to the secretary of the Association.

10.02. Signed Waiver of Notice. Whenever any notice is required to be given under the provisions of the Act or under the provisions of the Articles Of Incorporation or the Bylaws, a waiver in writing signed by a person entitled to receive a notice shall be deemed equivalent to the giving of the notice. A waiver of notice shall be effective whether signed before or after the time stated in the notice being waived.

10.03. Waiver of Notice by Attendance. The attendance of a person at a meeting shall constitute a waiver of notice of the meeting unless the person attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE 11

SPECIAL PROCEDURES CONCERNING MEETINGS

11.01. Meeting by Telephone. The members, Board of Directors, and any committee of the Association may hold a meeting by telephone conference-call procedures in which all persons participating in the meeting can hear each other. The notice of a meeting by telephone conference must state the fact that the meeting

will be held by telephone as well as all other matters required to be included in the notice. Participation of a person in a conference-call meeting constitutes presence of that person at the meeting.

11.02. Decision Without Meeting. Any decision required or permitted to be made at a meeting of the members, Board of Directors, or any committee of the Association may be made without a meeting. A decision without a meeting may be made if a written consent to the decision is signed by all of the persons entitled to vote on the matter. The original signed consents shall be placed in the Association minute book and kept with the Association's records.

11.03. Action By Non-unanimous Written Consent. In accordance with the Articles Of Incorporation, action may be taken by use of signed written consents by the number of members, directors, or committee members whose votes would be necessary to take action at a meeting at which all such persons entitled to vote were present and voted. Each written consent must bear the date of signature of the person signing it. A consent signed by less than all of members, directors, or committee members is not effective to take the intended action unless consents signed by the required number of persons are delivered to the Association within 60 days after the date of the earliest dated consent delivered to the Association. Delivery must be made by hand, or by certified or registered mail, return receipt requested. The delivery may be made to the corporation's registered office, registered agent, principal place of business, transfer agent, registrar, exchange agent, or an officer or agent having custody of books in which the relevant proceedings are recorded. If the delivery is made to the Association's principal place of business, the consent must be addressed to the president or principal executive officer. The Association will give prompt notice of the action taken to persons who do not sign consents. If the action taken requires documents to be filed with the secretary of state, the filed documents will indicate that the written consent procedures have been followed. A telegram, telex, cablegram, or similar transmission by a member, director, or committee member, or a photographic, facsimile, or similar reproduction of a signed writing, is to be regarded as being signed by the member, director, or committee member.

11.04. Voting by Proxy. A person who is authorized to exercise a proxy may not exercise the proxy unless the proxy is delivered to the officer presiding at the meeting before the business of the meeting begins. The secretary or other person taking the minutes of the meeting shall record in the minutes the name of the person who executed the proxy and the name of the person authorized to exercise the proxy. If a person who has duly executed a proxy personally attends a meeting, the proxy shall not be effective for that meeting. A proxy filed with the secretary or other designated officer shall remain in force and effect until the first of the following occurs:

- (a) An instrument revoking the proxy is delivered to the secretary or other designated officer.
- (b) The proxy authority expires under the terms of the proxy.
- (c) The proxy authority expires under the terms of the Bylaws.

ARTICLE 12

COMMITTEES

12.01. Establishment of Committees. The Board of Directors may adopt a resolution establishing one or more committees delegating specified authority to a committee, and appointing or removing members of a committee. A committee shall include one or more directors and may include persons who are not directors. If the Board of Directors delegates any of its authority to a committee, the majority of the committee shall consist of directors. The Board of Directors may establish qualifications for membership on a committee. The Board of Directors may delegate to the president its power to appoint and remove members of a committee that has not been delegated any authority of the Board of Directors. The establishment of a committee or the delegation of

authority to it shall not relieve the Board of Directors, or any individual director, of any responsibility imposed by the Bylaws or otherwise imposed by law. No committee shall have the authority of the Board of Directors to:

- (a) Amend the Articles Of Incorporation.
- (b) Adopt a plan of merger or a plan of consolidation with another corporation.
- (c) Authorize the sale, lease, exchange, or mortgage of all or substantially all of the property and assets of the Association.
- (d) Authorize the voluntary dissolution of the Association.
- (e) Revoke proceedings for the voluntary dissolution of the Association.
- (f) Adopt a plan for the distribution of the assets of the Association.
- (g) Amend, alter, or repeal the Bylaws.
- (h) Elect, appoint, or remove a member of a committee or a director or officer of the Association.
- (i) Approve any transaction to which the Association is a party and that involves a potential conflict of interest as defined in below.
- (j) Take any action outside the scope of authority delegated to it by the Board of Directors.
- (k) Take final action on a matter that requires the approval of the members.

12.02. Authorization of Specific Committees. There shall be the following committees: Architectural Control Committee, as provided in the Declaration and a Nominating Committee. The Board of Directors shall define the activities and scope of authority of each committee by resolution, subject to the terms of the Declaration.

12.03. Term of Office. Each member of a committee shall continue to serve on the committee until the next annual meeting of the members of the Association and until a successor is appointed. However, the term of a committee member may terminate earlier if the committee is terminated, or if the member dies, ceases to qualify, resigns, or is removed as a member. A vacancy on a committee may be filled by an appointment made in the same manner as an original appointment. A person appointed to fill a vacancy on a committee shall serve for the unexpired portion of the terminated committee member's term.

12.04. Chair and Vice-Chair. One member of each committee shall be designated as the chair of the committee and another member of each committee shall be designated as the vice-chair. The chair and vice-chair shall be appointed by the president of the Association. The chair shall call and preside at all meetings of the committee. When the chair is absent, is unable to act, or refuses to act, the vice-chair shall perform the duties of the chair. When a vice-chair acts in place of the chair, the vice-chair shall have all the powers of and be subject to all the restrictions upon the chair.

12.05. Notice of Meetings. Written or printed notice of a committee meeting shall be delivered to each member of a committee not less than seven nor more than thirty days before the date of the meeting. The notice shall state the place, day, and time of the meeting, and the purpose or purposes for which the meeting is called.

12.06. Quorum. One half of the number of members of a committee shall constitute a quorum for the transaction of business at any meeting of the committee. The committee members present at a duly called or held meeting at which a quorum is present may continue to transact business even if enough committee members leave the meeting so that less than a quorum remains. However, no action may be approved without the vote of at least a majority of the number of committee members required to constitute a quorum. If a quorum is present at no time during a meeting, the chair may adjourn and reconvene the meeting one time without further notice.

12.07. Actions of Committees. Committees shall try to take action by consensus. However, the vote of a majority of committee members present and voting at a meeting at which a quorum is present shall be sufficient to constitute the act of the committee unless the act of a greater number is required by law or the Bylaws. A committee member who is present at a meeting and abstains from a vote is not considered to be present and voting for the purpose of determining the act of the committee.

12.08. Proxies. A committee member may vote by proxy executed in writing by the committee member. No proxy shall be valid after three months from the date of its execution.

12.09. Compensation. Committee members shall not receive salaries for their services. The Board of Directors may adopt a resolution providing for payment to committee members of a fixed sum and expenses of attendance, if any, for attendance at each meeting of the committee. A committee member may serve the Association in any other capacity and receive compensation for those services. Any compensation that the Association pays to a committee member shall be commensurate with the services performed and shall be reasonable in amount.

12.10. Rules. Each committee may adopt rules for its own operation not inconsistent with the Bylaws or with rules adopted by the Board of Directors.

ARTICLE 13

BOOKS AND RECORDS

13.01. Required Books and Records. The Association shall keep correct and complete books and records of account.

13.02. Inspection and Copying. Any member, director, officer, or committee member of the Association may inspect and receive copies of all books and records of the Association required to be kept by the Bylaws. Such a person may inspect or receive copies if the person has a proper purpose related to the person's interest in the Association and if the person submits a request in writing. Any person entitled to inspect and copy the Association's books and records may do so through his or her attorney or other duly authorized representative. A person entitled to inspect the Association's books and records may do so at a reasonable time no later than five working days after the Association's receipt of a proper written request. The Board of Directors may establish reasonable fees for copying the Association's books and records by members. The fees may cover the cost of materials and labor. The Association shall provide requested copies of books or records no later than five working days after the Association's receipt of a proper written request.

13.03. Audits. Any member shall have the right to have an audit conducted of the Association's books. The member requesting the audit shall bear the expense of the audit unless the members vote to authorize payment of audit expenses. The member requesting the audit may select the accounting firm to conduct the audit. A member may not exercise these rights to compel audits so as to subject the Association to an audit more than once in any fiscal year.

ARTICLE 14

ASSESSMENTS

As more fully provided in the Declaration, each member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty days after the due date, the assessment shall bear interest from the date of delinquency at the rate of eighteen percent per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

ARTICLE 15

TRANSACTIONS OF THE ASSOCIATION

15.01. Contracts. The Board of Directors may authorize any officer or agent of the Association to enter into a contract or execute and deliver any instrument in the name of and on behalf of the Association. This authority may be limited to a specific contract or instrument or it may extend to any number and type of possible contracts and instruments.

15.02. Deposits. All funds of the Association shall be deposited to the credit of the Association in banks, trust companies, or other depositories that the Board of Directors selects.

15.03. Gifts. The Board of Directors may accept on behalf of the Association any contribution, gift, bequest, or devise for the general purposes or for any special purpose of the Association. The Board of Directors may make gifts and give charitable contributions that are not prohibited by the Bylaws, the Articles Of Incorporation, state law, and any requirements for maintaining the Association's federal and state tax status.

15.04. Potential Conflicts of Interest. Contracts or transactions between directors, officers, or members who have a financial interest in the matter are not void or voidable solely for that reason. Nor are they void or voidable solely because the director, officer, or member is present at or participates in the meeting that authorizes the contract or transaction, or solely because the interested party's votes are counted for the purpose. However, the material facts must be disclosed to or known by the board or other group authorizing the transaction, and adequate approval from disinterested parties must be obtained.

15.05. Prohibited Acts. As long as the Association is in existence, and except with the prior approval of the Board of Directors or the members, no member, director, officer, or committee member of the Association shall:

- (a) Do any act in violation of the Bylaws or a binding obligation of the Association.
- (b) Do any act with the intention of harming the Association or any of its operations.
- (c) Do any act that would make it impossible or unnecessarily difficult to carry on the intended or ordinary business of the Association.
- (d) Receive an improper personal benefit from the operation of the Association.

(e) Use the assets of this Association, directly or indirectly, for any purpose other than carrying on the business of this Association.

(f) Wrongfully transfer or dispose of Association property, including intangible property such as good will.

(g) Use the name of the Association (or any substantially similar name) or any trademark or trade name adopted by the Association, except on behalf of the Association in the ordinary course of the Association's business.

(h) Disclose any of the Association business practices, trade secrets, or any other information not generally known to the business community to any person not authorized to receive it.

ARTICLE 16

INDEMNIFICATION

16.01. When Indemnification is Required, Permitted, and Prohibited.

(a) The Association shall indemnify a director, officer, committee member, employee, or agent of the Association who was, is, or may be named defendant or respondent in any proceeding as a result of his or her actions or omissions within the scope of his or her official capacity in the Association. For the purposes of this article, an agent includes one who is or was serving at the request of the Association as a director, officer, partner, venturer, proprietor, trustee, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise. However, the Association shall indemnify a person only if he or she acted in good faith and reasonably believed that the conduct was in the Association's best interests. In a case of a criminal proceeding, the person may be indemnified only if he or she had no reasonable cause to believe that the conduct was unlawful. The Association shall not indemnify a person who is found liable to the Association or is found liable to another on the basis of improperly receiving a personal benefit. A person is conclusively considered to have been found liable in relation to any claim, issue, or matter if the person has been adjudged liable by a court of competent jurisdiction and all appeals have been exhausted.

(b) The termination of a proceeding by judgment, order, settlement, conviction, or on a plea of nolo contendere or its equivalent does not necessarily preclude indemnification by the Association.

(c) The Association shall pay or reimburse expenses incurred by a director, officer, committee member, employee, or agent of the Association in connection with the person's appearance as a witness or other participation in a proceeding involving or affecting the Association when the person is not a named defendant or respondent in the proceeding.

(d) In addition to the situations otherwise described in this paragraph, the Association may indemnify a director, officer, committee member, employee, or agent of the Association to the extent permitted by law. However, the Association shall not indemnify any person in any situation in which indemnification is prohibited by the terms of paragraph 16.01(a), above.

(e) Before the final disposition of a proceeding, the Association may pay indemnification expenses permitted by the Bylaws and authorized by the Association. However, the Association shall not pay indemnification expenses to a person before the final disposition of a proceeding if: the person is a named defendant or respondent in a proceeding brought by the Association or the person is alleged to have improperly received a personal benefit or committed other wilful or intentional misconduct.

(f) If the Association may indemnify a person under the Bylaws, the person may be indemnified against judgments, penalties, including excise and similar taxes, fines, settlements, and reasonable expenses (including attorney's fees) actually incurred in connection with the proceeding. However, if the proceeding was brought by or on behalf of the Association, the indemnification is limited to reasonable expenses actually incurred by the person in connection with the proceeding.

16.02. Procedures Relating to Indemnification Payments.

(a) Before the Association may pay any indemnification expenses (including attorney's fees), the Association shall specifically determine that indemnification is permissible, authorize indemnification, and determine that expenses to be reimbursed are reasonable, except as provided in paragraph 16.02(c), below. The Association may make these determinations and decisions by any one of the following procedures:

(i) Majority vote of a quorum consisting of directors who, at the time of the vote, are not named defendants or respondents in the proceeding.

(ii) If such a quorum cannot be obtained, 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, consisting solely of two or more directors who at the time of the vote are not named defendants or respondents in the proceeding.

(iii) Determination by special legal counsel selected by the Board of Directors by vote as provided in paragraph 10602(a)(I) or 16.02(a)(ii), or if such a quorum cannot be obtained and such a committee cannot be established, by a majority vote of all directors.

(iv) Majority vote of members, excluding directors who are named defendants or respondents in the proceeding.

(b) The Association shall authorize indemnification and determine that expenses to be reimbursed are reasonable in the same manner that it determines whether indemnification is permissible. If the determination that indemnification is permissible is made by special legal counsel, authorization of indemnification and determination of reasonableness of expenses shall be made in the manner specified by paragraph 16.02(a)(iii), above, governing the selection of special legal counsel. A provision contained in the Articles Of Incorporation, the Bylaws, or a resolution of members or the Board of Directors that requires the indemnification permitted by paragraph 16.01, above, constitutes sufficient authorization of indemnification even though the provision may not have been adopted or authorized in the same manner as the determination that indemnification is permissible.

(c) The Association shall pay indemnification expenses before final disposition of a proceeding only after the Association determines that the facts then known would not preclude indemnification and the Association receives a written affirmation and undertaking from the person to be indemnified. The determination that the facts then known to those making the determination would not preclude indemnification and authorization of payment shall be made in the same manner as a determination that indemnification is permissible under paragraph 16.02(a), above. The person's written affirmation shall state that he or she has met the standard of conduct necessary for indemnification under the Bylaws. The written undertaking shall provide for repayment of the amount paid or reimbursed by the Association if it is ultimately determined that the person has not met the requirements for indemnification. The undertaking shall be an unlimited general obligation of the person, but it need not be secured and it may be accepted without reference to financial ability to make repayment.

(d) Any indemnification or advance of expenses shall be reported in writing to the members of the Association. The report shall be made with or before the notice or waiver of notice of the next membership meeting, or with or before the next submission to members of a consent to action without a meeting. In any case,

the report shall be sent within the 12-month period immediately following the date of the indemnification or advance.

ARTICLE 17

CORPORATE SEAL

The Board of Directors may provide for a corporate seal. Such a seal shall in circular form have within its circumference the words "*Country Club Estates Homeowners' Association, Inc.*"

ARTICLE 18

AMENDMENTS

18.01. Amendment. The Bylaws may be altered, amended, or repealed, and new Bylaws may be adopted either by the membership or the Board of Directors. The notice of any meeting at which the Bylaws are altered, amended, or repealed, or at which new Bylaws are adopted shall include the text of the proposed bylaw provisions as well as the text of any existing provisions proposed to be altered, amended, or repealed. Alternatively, the notice may include a fair summary of those provisions. The following types of bylaw amendments may be adopted only by the members:

- (a) Setting or changing the authorized number of directors.
- (b) Changing from a fixed number to a variable number of directors or vice versa.
- (c) Increasing or extending the terms of directors.
- (d) Increasing the quorum for membership meetings.
- (e) Repealing, restricting, creating, expanding, or otherwise changing the proxy rights of members.
- (f) Authorizing or prohibiting cumulative voting.

18.02. Conflict With Articles Of Incorporation Or Declaration. In the case of any conflict between the Articles Of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE 19

MISCELLANEOUS

19.01. Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

19.02. Legal Authorities Governing Construction of Bylaws. The Bylaws shall be construed in accordance with the laws of the State of Texas. All references in the Bylaws to statutes, regulations, or other sources of legal authority shall refer to the authorities cited, or their successors, as they may be amended from time to time.

19.03. Legal Construction. If any bylaw provision is held to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability shall not affect any other provision and the Bylaws shall be construed as if the invalid, illegal, or unenforceable provision had not been included in the Bylaws.

19.04. Headings. The headings used in the Bylaws are used for convenience and shall not be considered in construing the terms of the Bylaws.

19.05. Gender. Wherever the context requires, all words in the Bylaws in the male gender shall be deemed to include the female or neuter gender, all singular words shall include the plural, and all plural words shall include the singular.

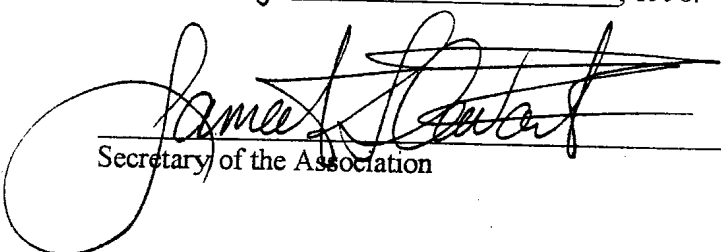
19.06. Power of Attorney. A person may execute any instrument related to the Association by means of a power of attorney if an original executed copy of the power of attorney is provided to the secretary of the Association to be kept with the Association records.

19.07. Parties Bound. The Bylaws shall be binding upon and inure to the benefit of the members, directors, officers, committee members, employees, and agents of the Association and their respective heirs, executors, administrators, legal representatives, successors, and assigns except as otherwise provided in the Bylaws.

CERTIFICATE OF SECRETARY

I certify that I am the duly elected and acting secretary of Country Club Estates Homeowners' Association, Inc., and that the foregoing Bylaws constitute the Bylaws of the Association. These Bylaws were duly adopted at a meeting of the Board of Directors held on June 12, 1996.

DATED: June 12, 1996.


Secretary of the Association