

BY-LAWS
OF
WATERVIEW ESTATES
OWNERS ASSOCIATION, INC

Fort Bend County, Texas

September 22, 2004

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(A Texas Non-Profit Corporation)

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BY-LAWS
OF
WATERVIEW ESTATES
OWNERS ASSOCIATION, INC.
(A Texas Non-Profit Corporation)

ARTICLE I

NAME

1.1 NAME. The name of the organization shall be WATERVIEW ESTATES OWNERS ASSOCIATION, INC., hereinafter called "Association".

ARTICLE II

PURPOSE AND OWNER OBLIGATION

2.1 PURPOSE. The purpose for which this non-profit Association is formed is to govern the Subdivision situated in the County of Fort Bend, State of Texas, known as WATERVIEW ESTATES and all annexations and additions thereto, which by this reference is made a part hereof, and which property has been or will be restricted as part of a Planned Unit Development.

2.2 OWNER OBLIGATION. All present or future owners, tenants, future tenants or any other person who might use the facilities of the Subdivision in any manner, are subject to the regulations set forth in these By-Laws. The mere acquisition or rental of any of the Lots (hereinafter referred to as "Lots") of the Subdivision or the mere act of occupancy of any of said Lots will signify that these By-Laws are accepted, ratified and will be strictly followed.

ARTICLE III

DEFINITION AND TERMS

3.1 MEMBERSHIP. Any person on becoming an Owner of a Lots shall automatically become a Member of his Association and be subject to these By-Laws. Such membership shall terminate without any formal Association action whenever such person ceases to own a Lot. Such termination shall not relieve or release any such former Owner from any liability or obligation incurred under or in any way connected with any section of WATERVIEW ESTATES during the period of such ownership and membership in this Association, or impair any rights or remedies which the Board of Directors of the Association or others may have against such former Owner and Member arising out of or in any way connected with such ownership and membership and the covenants and obligations incident thereto. No certificates of stock shall be issued by the Association, but the Board of Directors, if it so elects, may issue one (1) Membership Card per Lot to the Owner(s) of a Lot. Such Membership Card shall be surrendered to the secretary whenever ownership of the Lot designated thereon is terminated.

3.2 VOTING. Lot ownership shall entitle the Owner(s) to cast one (1) vote per Residential Lot. Voting shall not be split among more than one (1) Lot Owner.

3.3 MAJORITY OF LOT OWNERS. As used in these By-Laws the term "majority of Lot Owners" shall mean those Owners with fifty-one (51%) of the votes entitled to be cast.

3.4 QUORUM. Except as otherwise provided in these by-Laws or in the Declarations, the presence in person or by proxy of thirty percent (30%) of Lot Owners shall constitute a quorum.

3.5 PROXIES. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary at least twenty four (24) hours before the appointed time of each meeting.

ARTICLE IV

ADMINISTRATION

4.1 DECLARANT CONTROL. Notwithstanding any provision herein to the contrary, and in accordance with the Declarations for each section of WATERVIEW ESTATES, the Declarant VENTANA DEVELOPMENT MORTIN, LTD., A TEXAS LIMITED PARTNERSHIP shall retain control over management of the affairs of the Association. This retention of control shall be for the benefit of the Lot owners and any First Mortgagees of Record and for the purpose of insuring both a complete and orderly buildout and a timely sellout of the Subdivision Lots, including any annexations. This control shall last no longer than January 1, 2029, or upon sale of one hundred percent (100%) of the Lots, or when in the sole opinion of the Declarant the Subdivision is viable, self-supporting and operational.

4.2 ASSOCIATION RESPONSIBILITIES. The Owners of the Lots will constitute the Association of Owners, hereinafter referred to as "Association", who will have the responsibility of administering the Subdivision through a Board of Directors.

4.3 PLACE OF MEETINGS. All annual and special meetings of the Association shall be held at the principal office of the Association or at such other suitable and convenience place within For Bend County or Harris County, Texas as may be permitted by law and from time to time fixed by the Directors and designated in the notices of such meetings.

4.4 ANNUAL MEETINGS. Annual meetings shall be held in June each year, upon not more than thirty (30) days nor less than ten (10) days notice to all record owners of Lots in the Subdivision.

4.5 SPECIAL MEETINGS. It shall be the duty of the President to call a special meeting

of the Owners as directed by resolution of the Board of Directors or upon a petition signed by at least one-third (1/3) of the Owners and presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

4.6 NOTICE OF MEETINGS. The Secretary shall mail notices of annual and special meetings to each Member of the Association, directed to his last known post office address, as shown on the records of the Association, by uncertified mail, postage prepaid. Special meeting notices shall be mailed not less than thirty (30) days nor more than sixty (60) days before the date of such meeting and shall state the date, time and place of the meeting and the purpose or purposes thereof. If requested, any Mortgagee of Record or its designee may be entitled to receive similar notice.

Informal meetings of the Association conducted for informational purposes only may be noticed by newsletter or signs erected in the subdivision by the Association.

4.7 ADJOURNED MEETINGS. If any meeting of Owners cannot be organized because a quorum has not attended, the Owners who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is attained.

4.8 ORDER OF BUSINESS. The order of business at all meetings of the Owners of Lots shall be as follows:

- a. Roll call.
- b. Proof of notice of meeting or waiver of notice.
- c. Reading or waiver of reading of minutes of preceding meeting.
- d. Reports of officers.
- e. Reports of committees.

- f. Election of Directors (if appropriate).
- g. Unfinished business.
- h. New business.

ARTICLE V

BOARD OF DIRECTORS

5.1 NUMBER AND QUALIFICATION. The affairs of this Association shall be governed by a Board of Directors composed of five (5) persons.

All Directors must be Members of the Association or a representative of a corporation or other business entity that is a Member of the Association, which Directors must at all time be in good standing as defined in Section 9.1 of these By-Laws. A Member who is not in good standing is not eligible to be nominated for, elected or appointed to the Board of Directors. If a Director ceases to be a Member of the Association in good standing (or, in the case of a Director who is the representative of a corporation or other entity that is a Member, the corporation or other entity ceases to be a Member of the Association in good standing), his or her position on the Board of Directors shall cease upon the expiration of thirty (30) days from the date of written notice thereof by the Association, unless within such thirty (30) day period the Member shall be reinstated as a Member in good standing by paying all sums due the Association or enter into a payment plan approved by the Board of Directors. Should a Director that enters into a payment plan with the Association thereafter default on the payment plan, the procedure described in the prior sentence shall apply to the notification of and removal from the Board of the Directors that is in default of the payment plan.

5.2 POWERS AND DUTIES. The Board of Directors shall have the powers and duties

necessary for the administration of the affairs of the Association and for the operation and maintenance of the Subdivision. The Board of Directors may do all such acts and things that are not by these By-Laws or by the Declaration directed to be exercised and done by the Owners.

5.3 OTHER POWERS AND DUTIES. The Board of Directors shall have the following duties:

- a. To administer and enforce the covenants, conditions, restrictions, uses, limitations, obligations and all other provisions set forth in the Declaration for all subdivision sections under the Association.
- b. To establish, make and enforce compliance with rules necessary for the orderly operation, use and occupancy of this Project. (A copy of such rules and regulations shall be delivered or mailed to each Member promptly upon the adoption thereof.)
- c. To keep in good order, condition and repair all of the General and Limited Common Elements and all items of personal property used in the enjoyment of the entire Premises.
- d. To insure and keep insured all of the insurable Common Elements of the Property in an amount equal to their maximum replacement value, as provided in the Declaration. Further to obtain and maintain comprehensive liability insurance covering the entire Premises in amounts not less than One Million Dollars (\$1,000,000.00) per person, Two Million Dollars (\$2,000,000.00) per occurrence and Five Hundred Thousand Dollars (\$500,000.00) property damage. To insure and keep all the fixtures, equipment and personal property acquired by the Association for the benefit of the Association, the Owners of the Lots and their First Mortgagees.
- e. To fix, determine, levy and collect the annual assessments to be paid by each of the Owners; and by majority vote of the Board to adjust, decrease or increase the amount of the annual assessments in order to meet increased operating or maintenance expenses or costs, and additional capital expenses. All annual or other assessments shall be in itemized statement form and shall set forth in detail the various expenses for which the assessments are being made.
- f. To collect delinquent assessments by non-judicial foreclosure, suit or otherwise and to enjoin or seek damages from an Owner, as provided in the

Declaration and these By-Laws.

- g. To protect and defend the entire Premises from loss and damage by suit or otherwise.
- h. To borrow funds in order to pay for any required expenditure or outlay, to execute all such instruments evidencing such indebtedness which shall be the several obligations of all of the Owners in the same proportion as their interest in the Common Elements.
- i. To enter into contracts within the scope of their duties and power.
- j. To establish a bank account for the common treasury for all separate funds which are required or may be deemed advisable by the Board of Directors.
- k. To establish and maintain a reserve account for replacement or repair of Common Areas and Association property.
- l. To keep and maintain full and accurate books and records showing all of the receipts, expenses or disbursements and to permit examination thereof at any reasonable time by each of the Owners and any First Mortgagee of a Lot and to cause a complete audit of the books and accounts by a competent accountant, once each year. The Association shall cause to be prepared annually an audited statement showing all receipts, expenses or disbursements since the last such statement. Such audited financial statements shall be available to any Lot Owner or First Mortgagee of a Lot, on request, within ninety (90) days following the fiscal year end of the Association.
- m. To meet at least once each quarter.
- n. To designate the personnel necessary for the maintenance and operation of the General and Limited Common Elements.
- o. In general, to carry on the administration of this Association and to do all of those things, necessary and reasonable, in order to carry out the communal aspect of Subdivision ownership, and the requirements of the Association as set out in the Declarations.
- p. To exercise all powers permitted to be exercised by a Subdivision Board of Directors by the Texas Property Code and in particular Section 204.010 of the Texas Property Code as it may be amended from time to time.

5.4 ELECTION AND TERM OF OFFICE. At the first annual meeting of the Association

the term of office of one-third (1/3) of the Directors shall be fixed for one (1) year, the term of office of one-third (1/3) of the Directors shall be fixed at two (2) years, and the term of office of the remaining one-third (1/3) of the Directors shall be fixed at three (3) years. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of three (3) years. The persons acting as Directors shall hold office until their successors have been elected and hold their first meeting.

5.5 VACANCIES. Vacancies on the Board of Directors caused by any reason other than the removal of a Director by a vote of the association shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum. Each Director so elected shall serve out the remaining term of his predecessor.

5.6 REMOVAL OF DIRECTORS. At any regular or special meeting duly called, any one (1) or more of the Directors may be removed with or without cause by a majority of the Owners, and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Owners shall be given an opportunity to be heard at the meeting.

5.7 ORGANIZATION MEETING. The first meeting of a newly elected Board of Directors shall be held within thirty (30) days of election at such place (within Harris or Fort Bend County, Texas) as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

5.8 REGULAR MEETINGS. Regular meetings of the Board of Directors 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 four (4) such meetings shall be held during each fiscal year. Notice of regular meetings of the

Board of Directors shall be given to each Director, personally, by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

5.9 SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the President or Secretary, or upon the written request of at least two (2) Directors. The President or Secretary will give three (3) days personal notice to each Director by mail, telephone or telegraph, which notice shall state the time, place (as herein above provided) and the purpose of the meeting.

5.10 WAIVER OF NOTICE. Before or at any meeting of the Board of Directors, any Director 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 a waiver of notice by him of the time and place thereof. 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.

5.11 BOARD OF DIRECTOR'S QUORUM. At all meetings of the Board of Directors, a majority of Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at the meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there is less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting, as originally called, may be transacted without additional notice.

5.12 FIDELITY BONDS. The Board of Directors may require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premium on such bonds shall be paid by the Association.

ARTICLE VI

OFFICERS

6.1 DESIGNATION. The officers of the Association shall be a President, Vice-President, Secretary and Treasurer, all of whom shall be elected by and from the Board of Directors.

6.2 ELECTION OF OFFICERS. The officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

6.3 REMOVAL OF OFFICERS. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board of Directors or at any special meeting of the Board called for such purpose.

6.4 PRESIDENT. The President shall be the chief executive officer of the Association. He shall preside at all meetings of both the Association and the Board of Directors. He shall have all the general powers and duties which are usually vested in the office of president an association, including, but not limited to, the power to appoint committees from among the Owners to assist in the administration of the affairs of the Association at all meetings of the WATERVIEW ESTATES.

6.5 VICE-PRESIDENT. The Vice-President shall perform all of the duties of the President in his absence and such other duties as may be required of him from time to time by the Board of Directors.

6.6 SECRETARY.

a. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association. He shall have charge of such books and

papers as the Board of Directors may direct; and he shall, in general, perform all the duties incident to the office of the Secretary.

b. The Secretary shall compile and keep up to date at the principal office of the Association a complete list of Members and their last known addresses as shown on the records of the Association. Such list shall show opposite each Member's name, the names, addresses and number of Tenants using a Lot. Such list shall be open to inspection by Members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

6.7 TREASURER. The Treasurer or his designated agent (as approved by the Board of Directors) shall receive and deposit in appropriate bank accounts all money of the Association and shall disburse such as directed by resolution of the Board of Directors provided, however, that a resolution of the Board of Directors shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board of Directors, including authority to: sign all checks and promissory notes of the Association; keep proper books of account; cause an annual statement of the Association's books to be made at the completion of each fiscal year; prepare an annual budget and a statement of income expenditures to be presented to the Membership at its regular annual meeting, and deliver a copy of each to the Members; and perform all other duties assigned to him by the Board of Directors.

ARTICLE VII

MANAGEMENT CONTRACT

7.1 MANAGEMENT COMPANY. The Board of Directors shall enter into a management agreement with a professional management company at a rate of compensation agreed upon by the Board of Directors. In accordance with the Declaration and these By-Laws, the management company shall have, but shall not be limited to, the following functions, duties and responsibilities:

a. Fiscal Management.

- (1) Prepare annual operating budget detailed to reflect expected operation for each month. This budget is established to show expected recurring receipts and operating disbursements. It is further used for comparison with actual monthly income and expenditures.
- (2) Prepare sinking fund reserve budget projections for capital expenditures on items recurring only periodically, i.e., painting, etc., for Common Elements.
- (3) Prepare monthly operating and cash position statements and statements concerning sinking fund reserve accounts.
- (4) Analyze and compare operating receipts and disbursements against the Board-approved budget. Suggest corrective recommendations, if applicable.
- (5) Collect maintenance fees and special assessments; deposit them in checking, savings or other income producing accounts on behalf of the Board and maintain comprehensive records thereof. Establish individual checking and sinking fund reserve accounts, as directed by the Board.

(6) Mail notices of delinquency to any Owner in arrears, and exert reasonable effort to collect delinquent accounts.

(7) Examine all expense invoices for accuracy and pay all bills in accordance with the terms of the property management agreement.

(8) Prepare year-end statement of operations for Owners.

(9) At the direction of the Board, as agent of the Treasurer to disburse Association funds in accordance with the approved budget or Board Resolutions or contractual obligations.

b. Physical Management.

(1) Maintain and control of Common Area improvements and equipment. Maintain the Property in constant repair to reflect Owner pride and to insure high property values in accordance with the provisions of the operating budget, as approved by the Board of Directors.

(2) Enter into contracts and supervise services for landscaping care, refuse hauling, maintenance, etc., as approved operating budgets.

(3) Select, train and supervise competent personnel, as directed by the Board.

(4) Compile, assemble and analyze data; and prepare specifications and call for bids for major improvement projects. Analyze and compare bids, issue contracts and coordinate the work; maintain close and constant inspection to insure that work is performed according to specifications.

(5) Perform any other projects with diligence and economy in the Board's best interests.

c. Administrative Management.

- (1) Inspect contractual services for satisfactory performance. Prepare any necessary compliance letters to Vendors.
- (2) Obtain and analyze bids for insurance coverage specified in By-Laws, recommend modifications or additional coverages. Prepare claims when required and follow up on payment; act as Board's representative in negotiating settlement.
- (3) Exercise close liaison and supervision over all personnel to insure proper operational maintenance and to promote good Management-Resident-Owner relationships.
- (4) Act as liaison for the Association in any negotiations or disputes with local, federal or state taxing agencies or regulatory bodies.
- (5) Exercise close supervision over hours and working conditions of employed personnel to insure compliance with Wage and Hour and Worker's Compensation Laws.
- (6) Assist in resolving individual Owner's problems as they pertain to the Association, Common Elements and governing rules and regulations.
- (7) Represent an absentee Owner when requested.
- (8) Administer the Project in such a way as to promote a pleasant and harmonious relationship within the complex for all Owners, Residents and Tenants alike.

7.2 All agreements with management companies shall be in writing and shall contain a provision permitting the Association to terminate the contract on thirty (30) days written notice, with or without cause.

ARTICLE VIII

INDEMNIFICATION OF OFFICERS AND DIRECTORS

8.1 INDEMNIFICATION. The Association shall indemnify every Director or officer, his heirs, executors and administrators, against all loss, cost and expense, including counsel fees, reasonably incurred by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being or having been a Director or officer of the Association, except in matters of gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters in which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his duty as such Director or officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such Director or officer may be entitled. All liability, loss, damage, cost and expense incurred or suffered by the Association in connection with the foregoing indemnification provision shall be treated and handled by the Association as Common Expenses; provided, however, nothing contained in this Article VIII shall be deemed to obligate the Association to indemnify any Member or Owner of a Lot, who is or has been a Director or officer of the Association, with respect to any duties or obligations assumed or liabilities incurred by him under and by virtue of the Declaration for WATERVIEW ESTATES, as a Member or Owner of Lot covered thereby.

The Association shall obtain, and at all times maintain, as a common expense, policies of Directors and Officers Liability Insurance to fund this provision in the event of a loss.

ARTICLE IX

OBLIGATIONS OF THE OWNERS

9.1 ASSESSMENTS. All Owners shall be obligated to pay the annual assessments imposed by the Association to meet the Common Expenses as defined in the Declaration. The assessments shall be made uniform the requirements of the Section Deed Restrictions per Lot and shall be due annually in advance. A Member shall be deemed to be in good standing and entitled to vote at any annual or special meeting of Members, within the meaning of these By-Laws, only if he is current in the assessments made or levied against him and the Lot owed by him.

9.2 GENERAL.

a. Each Owner shall comply strictly with the provisions of the Declarations for WATERVIEW ESTATES OWNERS.

b. Each Owner shall always endeavor to observe and promote the cooperative purposes for which the Project was built.

9.3 USE OF GENERAL COMMON ELEMENTS AND LIMITED COMMON ELEMENTS. Each Owner may use the General Common Elements and the Limited Common Elements in accordance with the purposes for which they were intended.

ARTICLE X

AMENDMENTS TO BY-LAWS

10.1 BY-LAWS.

a. After relinquishment of Declarant control of the Association, as set forth in Article IV, these By-Laws may be amended by the Association at a duly constituted meeting for such purpose, and no amendment shall take effect unless approved by Owners

representing at least sixty-seven percent (67%) of each class of membership. In no event shall the By-Laws be amended to conflict with the Declaration. In the event of a conflict between the two (2) documents, the Declaration shall control.

b. Until relinquishment of Declarant control of the Association, these By-Laws may be unilaterally amended by the Declarant to correct any clerical or typographical error or omission, or to change any provision to meet the requirements of Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Veterans Administration or Federal Housing Administration.

ARTICLE XI

MORTGAGES

11.1 NOTICE TO ASSOCIATION. An Owner who mortgages his Lot shall notify the Association through the President of the Association giving the name and address of his Mortgagee. The Association shall maintain such information in a book entitled "Mortgagees of Lots".

11.2 NOTICE OF UNPAID ASSESSMENTS. The Association shall, at the request of a Mortgagee of a Lot, report any unpaid assessments due from the Owner of such Lot or Tract.

ARTICLE XII

NON-PROFIT ASSOCIATION

12.1 NON-PROFIT PURPOSE. This Association is not organized for profit. No Lot Owner, Member of the Board of Directors or person from whom the Association may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Association be paid as

a salary or as compensation to, or distributed to or insure to the benefit of any Member of the Board of Directors; provided, however, that any Member of the Board of Directors may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

ARTICLE XIII

PRINCIPAL OFFICE

13.1 ADDRESS. The principal office of the Association shall be located at 2450 Fondren, Suite 210, Harris County, Houston, Texas 77063, but may be located at such other suitable and convenient place as shall be permitted by law and designated by the Directors.

ARTICLE XIV

EXECUTION OF INSTRUMENTS

14.1 AUTHORIZED AGENTS. The persons who shall be authorized to execute any and all instruments of conveyance or encumbrance, including promissory notes, shall be the President and the Secretary of the Association.

ARTICLE XV

CORPORATE SEAL

15.1 CORPORATE SEAL. The Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the Association.

ARTICLE XVI

DEFINITIONS OF TERMS

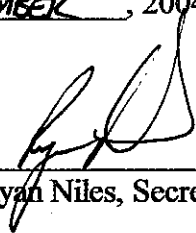
16.1 DEFINITIONS OF TERMS. The terms used in these By-Laws, to the extent they are defined in said Declaration, shall have the same definitions as set forth in the Declarations for

WATERVIEWESTATES OWNERS, and other annexed sections, as the same may be amended from time to time, recorded in the office of the County Clerk of Fort Bend County, Texas.

CERTIFICATE

I HEREBY CERTIFY that the foregoing is a true, complete, and correct copy of the By-Laws of WATERVIEW ESTATES OWNERS ASSOCIATION, INC., a Texas non-profit corporation, as adopted by the initial Board of Directors at its organizational meeting on the September 22, 2004.

IN WITNESS WHEREOF, I hereunto set my hand and affix the Seal of the Corporation, on this the 22 day of SEPTEMBER, 2004.



Ryan Niles, Secretary