

**BYLAWS**  
**OF**  
**WHITEWATER SPRINGS PROPERTY OWNERS ASSOCIATION, INC.**

**ARTICLE I**  
**GENERAL**

Section 1.1 **Name.** The name of the corporation is **Whitewater Springs Property Owners Association, Inc.**, hereinafter referred to as the "**Association**".

Section 1.2 **Location.** The principal office of the Association shall be located at c/o Wollaston Properties, LLC, 10900 South FM 1174, Bertram, Texas 78605, but meetings of members and directors may be held at such places within the State of Texas, County of Burnet or County of Travis, as may be designated by the Board of Directors.

Section 1.3 **Corporate Seal.** The Association may, but shall have no obligation to, have a seal in a form adopted by the Board.

**ARTICLE II**  
**DEFINITIONS**

Unless the context otherwise specifies or requires, the following words and phrases when used in these Bylaws shall have the meanings hereinafter specified:

Section 2.1 **Articles.** "**Articles**" means the Articles of Incorporation of Whitewater Springs Property Owners Association, Inc., which has been filed in the office of the Secretary of State of the State of Texas, as the same may from time to time be amended.

Section 2.2 **Assessment.** "**Assessment**" or "**Assessments**" means assessment(s) levied by the Association under the terms and provisions of the Declarations.

Section 2.3 **Association.** "**Association**" means and refers to Whitewater Springs Property Owners Association, Inc.

Section 2.4 **Association Property.** "**Association Property**" means all real or personal property now or hereafter owned by the Association, including without limitation, all easement estates, licenses, leasehold estates and other interests of any kind in and to real or personal property which is now or hereafter owned or held by the Association.

Section 2.5 **Association Restrictions.** "**Association Restrictions**" means the Declarations as the same may be amended, restated and/or supplemental from time to time, together with the Articles, Bylaws, Committee Rules, and Association Rules from time to time in effect.

Section 2.6 **Association Rules.** "*Association Rules*" means the rules and regulations adopted by the Board pursuant to the Declarations, as the same may be amended from time to time.

Section 2.7 **Board.** "*Board*" means the Board of Directors of the Association.

Section 2.8 **Bylaws.** "*Bylaws*" means the Bylaws of the Association, which may be adopted by the Board and as from time to time amended.

Section 2.9 **Declarant.** "*Declarant*" means Wollaston Properties, LLC, a Colorado limited liability company, and its duly authorized representatives or its successors or assigns; provided that any assignment of the rights of Declarant must be expressly set forth in writing and the mere conveyance of a portion of the Property without written assignment of the rights of Declarant shall not be sufficient to constitute an assignment of the rights of Declarant hereunder.

Section 2.10 **Declarations.** "*Declarations*" means collectively the various instruments creating restrictive covenants encumbering the Property, including those documents entitled the Declarations of Covenants, Conditions and Restrictions of Whitewater Springs Subdivision (pertaining to Sections I-VI), and recorded in the Real Property Records of Burnet County, Texas, as the same may be amended, restated and/or supplemented from time to time.

Section 2.11 **Lot.** "*Lot*" means any subdivided parcel or parcels of land within the Property, together with all improvements located thereon.

Section 2.12 **Manager.** "*Manager*" means the person, firm, or corporation, if any, employed by the Association pursuant to any of the Declarations and delegated the duties, powers, or functions of the Association.

Section 2.13 **Member.** "*Member*" or "*Members*" means any person(s), entity or entities holding membership privileges in the Association as provided in any of the Declarations.

Section 2.14 **Mortgage.** "*Mortgage*" or "*Mortgages*" means any mortgage(s) or deed(s) of trust covering any portion of the Property given to secure the payment of a debt.

Section 2.15 **Mortgagee.** "*Mortgagee*" or "*Mortgagees*" means the holder or holders of any lien or liens upon any portion of the Property.

Section 2.16 **Owner.** "*Owner*" or "*Owners*" means the person(s), entity or entities, including Declarant, holding a fee simple interest in any Lot, but shall not include the Mortgagee of a Mortgage.

Section 2.17 **Property.** "*Property*" means and refers collectively to those tracts or parcels of land known as the Whitewater Springs Subdivision situated in Burnet County, Texas, which is more fully described in the Declarations and any other property made subject to the Declarations or made a part of the Whitewater Springs Subdivision.

**ARTICLE III  
PURPOSE AND POWERS OF THE ASSOCIATION**

Section 3.1 **General Purpose.** The Association is organized in accordance with, and shall operate for nonprofit purposes pursuant to, the Texas Nonprofit Corporation Act, and does not contemplate pecuniary gain or profit to its members. The Association is formed for the sole purpose of exercising all of the powers and privileges, and performing all of the duties and obligations, of the Association as set forth in the Declarations.

Section 3.2 **Purposes and Powers.** Without limiting the generality of the foregoing, the Association is organized for the following general purposes:

(a) to assure the upkeep, maintenance, improvement and administration of the common area and facilities of the Association, if any, and all lands, improvements, security devices, and other real or personal property owned by or leased to the Association, including all sidewalks and pathways located within the "*Project*" and/or "*Property*" (as such terms are defined herein and in the Declarations);

(b) to assure the upkeep, maintenance, improvement and administration of any additional property which may in the future be acquired by or placed under the control of the Association pursuant to the Declarations;

(c) to enter into and perform any contract and to exercise all powers which may be necessary or convenient to the operation, management, maintenance and administration of the affairs of the Property in accordance with the Bylaws of the Association and the Declarations;

(d) to promote the health, safety and welfare of the residents of the Property in accordance with the Declarations;

(e) to exercise all of the powers and privileges and to perform all of the duties and obligations of the Association arising under the Declarations;

(f) to enforce applicable provisions of the Declarations, the Bylaws and any rules and regulations of the Association, and any other instruments for the management and control of the Property including, without limitation, the power:

(i) to fix, levy, collect and enforce payment, by any lawful means, of all charges or assessments imposed pursuant to the terms of the Declarations;

(ii) to contract for and to pay for water, sewer, garbage removal, landscaping, gardening, and all other utilities or services to and all maintenance of the Association Property;

(iii) to employ personnel reasonably necessary for the administration and operation of the Association, and to discharge the powers and duties of the Association arising under the Declarations, including the employment of accountants and/or attorneys, if appropriate; and

(iv) to pay all office and other expenses incident to the conduct of the business of the Association, including all insurance expenses, licenses, taxes and special tax or utility assessments which are or would become a lien on any portion of the Property over which the Association has authority to exercise control;

(g) to have and to exercise any and all powers, rights and privileges, including delegation of powers as permitted by law, which the Association may now or hereafter have or exercise in accordance with the Texas Non-Profit Corporation Act including, without limitation, the power:

(i) to acquire additional real or personal property and to add to the Property pursuant to the Declarations;

(ii) to acquire (by purchase, grant or otherwise), annex and merge, own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association, with the assent of 67% of the votes of the Members present at a meeting duly called for such purpose;

(iii) to indemnify officers and directors to the fullest extent permitted by applicable law as more particularly described herein.

(iv) to borrow money, and, with the assent of 67% of the votes of the Members present at a meeting duly called for such purpose, mortgage, pledge, or assign any or all of its real or personal property as security for money borrowed or debts incurred in accordance with the terms and conditions of the Declarations, as amended from time to time; and

(v) to act in the capacity of principal, agent, joint venturer, partner, or otherwise.

The foregoing statement of purposes shall be construed as a statement of both purposes and powers, and the purposes and powers stated in each of the foregoing clauses shall not be limited or restricted by reference to or inference from the terms and provisions of any other such clause, but shall be broadly construed as independent purposes and powers.

#### ARTICLE IV MEMBERSHIP

Section 4.1 **Membership.** Each and every owner of a Lot shall be a member of the Association during such Owner's period of ownership of such Lot. All Owners will have one (1) vote for each full acre owned and a fractional vote equal to the fraction of an acre owned. Notwithstanding the above, Declarant will be construed as an Owner and as a Member of the Association with the same voting privileges of one (1) vote per acre owned, and a fractional vote for a fractional ownership, and Declarant is entitled to one (1) additional vote for each acre sold as long as Declarant retains a financial interest or any ownership in the Property or its development.

Section 4.2 **Severability of Membership.** Membership may not be severed from or in any way transferred, pledged, mortgaged, or alienated except together with the title to the qualifying property interest, and then only to the transferee of title to said property interest. Any attempt to make a prohibited severance, transfer, pledge, mortgage, or alienation shall be void.

Section 4.3 **Member in Good Standing.** A Member of the Association shall be considered to be a Member in good standing and eligible to vote if such Member has fully paid all assessments or other charges levied by the Association then due and has discharged all obligations to the Association. The Board shall have the sole responsibility for determining the standing of each member.

## ARTICLE V MEETING AND VOTING OF MEMBERS

Section 5.1 **Annual Meetings.** The first annual meeting of the Members shall be held within one (1) year from the date of incorporation of the Association. Thereafter, the annual meeting of the Members shall be held at such time as the Board may determine.

Section 5.2 **Special Meetings.** Special meetings of the Members may be called at any time by the President or the Board of Directors, or upon written request of Members who are entitled to vote in the aggregate twenty-five percent (25%) or more of the votes of the membership.

Section 5.3 **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, or by facsimile at least ten (10) and no more than fifty (50) days before such meeting to each Member entitled to vote at the meeting, 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.

Section 5.4 **Waiver of Notice.** Waiver of notice of 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, whether in person or by proxy, shall be deemed waiver by such member of notice of the time, date and place thereof, unless such a member specifically objects to lack of proper notice at the time the meeting is called to order. 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 before the business is put to a vote.

Section 5.5 **Quorum.** The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-tenth (1/10th) of the total votes of the membership shall constitute a quorum for any action, except as otherwise provided in the Articles, the Declarations, or these Bylaws. If, however, such quorum is not present or represented at any meeting, the Members entitled to vote at the meeting shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented.

Section 5.6 **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.

Section 5.7 **Mail Ballots.** The Board may allow, in any circumstance requiring a vote of the Membership, voting by mail ballot. In such a vote, an unreturned ballot will be deemed to be an assent to the action voted upon.

Section 5.8 **Voting Rights.** The right to cast votes, and the number of votes which may be cast, for election of Members to the Board of Directors of the Association and on all other matters to be voted upon by the Members, shall be in accordance with the Declarations. To the extent an issue or matter to be voted on by the Members pertains only to a portion of the Property subject to particular Declaration or Declarations (i.e. the matter pertains to only certain Sections within the Subdivision), only those Members within such sections of the Subdivision or otherwise directly effected (as determined by the Board in its discretion) will be entitled to vote with respect to such issue or matter.

Section 5.9 **Majority Vote; Withdrawal of Quorum.** When a quorum is present at any meeting of the Members, the vote of the holders of a majority of the votes, present in person or represented by proxy, shall decide any question brought before such meeting unless the question is one upon which by express provision of a statute of the State of Texas, the Articles or these Bylaws, a different vote is required, in which case such express provision shall govern and control the deciding of such question. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members leaving less than a quorum.

Section 5.10 **Action without a Meeting.** Any action required by law to be taken at any annual or special meeting of the members of the Association, or any action that may be taken at any annual or special meeting of the members of the Association, may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the number of Members of the Association having the total number of votes necessary to enact the action taken, as determined under the Declarations or these Bylaws.

## ARTICLE VI BOARD OF DIRECTORS

Section 6.1 **Number.** The affairs of the Association shall be managed by a Board of five (5) Directors until the first annual or subsequent meeting, at which time the number of members of the Board of Directors may be changed by resolution of the Directors; provided, however, the minimum number of Directors shall be three (3).

Section 6.2 **Term of Office.** At the first annual meeting the Members shall elect five (5) members of the Board of Directors of the Association with terms respectively running one (1) to five (5) years, which Directors shall serve until their respective terms expire. At each annual meeting thereafter, the Members shall elect or re-elect Directors. All Board member's terms will be for one (1) year with the exception of the initial Board members appointed by Declarant.

Section 6.3 **Removal.** Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association entitled to cast votes pursuant to Article 5 of these Bylaws. 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 until the next annual meeting of the Members.

Section 6.4 **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.

Section 6.5 **Nomination.** Nomination for election to the Board shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting by any Member. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board and two (2) or more Members of the Association. The Nominating Committee shall be appointed by the Board 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 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 nonmembers.

Section 6.6 **Election.** Election to the Board 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 Declarations. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

Section 6.7 **Regular Meetings.** Regular meetings of the Board shall be held annually or such other frequency as determined by the Board, without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should the meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 6.8 **Special Meetings.** Special meetings of the Board shall be held when called by the President of the Association, or by any two Directors, after not less than three (3) days' notice to each Director. Notice of a meeting shall be deemed given to any Director who attends the meeting without protesting before or after its commencement about the lack of adequate notice.

Section 6.9 **Action Taken Without a Meeting.** The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

Section 6.10 **Quorum.** A majority of the number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board of Directors.

Section 6.11 **Limitation of Director Liability.** A Director of the Association shall not be personally liable to the Association for monetary damages for any act or omission in his capacity as a director, except to the extent otherwise expressly provided by a statute of the State of Texas. Any repeal or modification of this Article shall be prospective only, and shall not adversely affect any limitation of the personal liability of a director of the Association existing at the time of the repeal or modification.

## ARTICLE VII POWERS AND DUTIES OF THE BOARD

Section 7.1 **Powers.** The Board shall have power to undertake any of the following actions to the extent and only to the extent that such actions are undertaken in furtherance of the sole purposes of the Association as set forth in the Articles and the Declarations:

- (a) adopt and publish the Association Rules, including regulations governing the use of the Association Property 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 Association Property during any period in which such Member shall be in default in the payment of any Assessment levied by the Association, or after notice and hearing, for any period during which an infraction of the Association Rules exists;
- (c) exercise for the Association all powers, duties and authority vested in or related to this Association and not reserved to the membership by other provisions of the Association Restrictions;
- (d) declare the office of a member of the Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board;
- (e) employ such employees as they deem necessary, and to prescribe their duties;
- (f) as more fully provided in the Declarations, to:
  - (i) fix the amount of the Assessments against each Lot in advance of each annual assessment period and any other assessments provided by the Declarations; and
  - (ii) foreclose the lien against any property for which Assessments are not paid within thirty (30) days after due date or to bring an action at law against the Owner personally obligated to pay the same;
- (g) 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 and to levy a reasonable charge for the issuance of these certificates (it being understood that if a certificate states that an Assessment has been paid, such certificate shall be conclusive evidence of such payment);



(h) procure and maintain adequate liability and hazard insurance on property owned by the Association;

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

(j) appoint the members of the Architectural Committee as provided in the Declarations;

(k) establish reasonable membership or transfer fees; and

(l) exercise such other and further powers as provided in the Declarations.

Section 7.2 **Duties.** It shall be the duty of the Board to:

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by Members who are entitled to cast in the aggregate twenty-five percent (25%) of the votes of the membership; and

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

## **ARTICLE VIII OFFICERS AND THEIR DUTIES**

Section 8.1 **Enumeration of Offices.** The officers of this Association shall be a President and one Vice-President, who shall at all times be members of the Board, a Secretary and a Treasurer, and such other officers as the Board may from time to time create by resolution.

Section 8.2 **Election of Officers.** The election of officers shall take place at the first meeting of the Board following each annual meeting of the Members.

Section 8.3 **Term.** The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he or she is re-elected, resigns sooner, or shall be removed, or otherwise disqualified to serve.

Section 8.4 **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 not to exceed three (3) years, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 8.5 **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.

Section 8.6 **Vacancies.** A vacancy in any office may be filled through appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 8.7 **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 12.4.

Section 8.8 **Duties.** The duties of the officers are as follows:

(a) **President.** The President shall preside at all meetings of the Board; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

(b) **Vice President.** The Vice President shall generally assist the President and shall have such powers and perform such duties and services as shall from time to time be prescribed or delegated to him by the President or the Board.

(c) **Secretary.** The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as required by the Board.

(d) **Treasurer.** The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board; shall co-sign all checks and promissory notes of the Association; keep proper books of account in appropriate form such that they could be audited by a public accountant whenever ordered by the Board or the membership; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular meeting, and deliver a copy of each to the Members. In the event no Treasurer is then serving, the President shall be empowered with the Treasurer's duties.

## ARTICLE IX OTHER COMMITTEES OF THE BOARD OF DIRECTORS

The Board may, by resolution adopted by affirmative vote of a majority of the number of Directors fixed by these Bylaws, designate two or more Directors (with such alternates, if any, as may be deemed desirable) to constitute another committee or committees for any purpose; provided, that any such other committee or committees shall have and may exercise only the power of recommending action to the Board of Directors and of carrying out and implementing any instructions or any policies, plans, programs and rules theretofore approved, authorized and adopted by the Board.

**ARTICLE X  
BOOKS AND RECORDS**

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member. The Association Restrictions shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

**ARTICLE XI  
ASSESSMENTS**

As more fully provided for in the Declarations, each Member is obligated to pay to the Association Assessments which are secured by a continuing lien upon the property against which the Assessments are made. Assessments shall be due and payable in accordance with the Declarations. If any Assessment is not paid before becoming delinquent, the Owner responsible for the payment thereof shall be required by the Board to pay interest at the highest per annum rate allowed by applicable law on such Assessment from the due date thereof and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the Lot or Lots owned by such Owner, and all 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 Association Property or abandonment of his Lot or Lots. Notwithstanding any provision herein to the contrary, the Association may only levy Assessments (regular or special) to defray costs which are incurred in furtherance of the duties of the Association as set forth in the prescribed law, or set forth in the articles of these Bylaws or the Declarations.

**ARTICLE XII  
AMENDMENTS**

Section 12.1 These Bylaws may be amended, at a regular or special meeting of the Members, by a majority vote of a quorum of all the Members of the Association.

Section 12.2 In the case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Declarations and these Bylaws, the Declarations shall control.

**ARTICLE XIII  
DISSOLUTION**

The Association may be dissolved upon the written consent of not less than 67% of the votes of the Members. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes substantially similar to those for which this Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed, and assigned to any nonprofit corporation, association, trust, or other organization to be devoted to such substantially similar purposes.

**ARTICLE XIV  
INDEMNIFICATION OF DIRECTORS AND OFFICERS**

Section 14.1 **Definitions.** In this Article XIV:

(a) **"Indemnitee"** means (i) any present or former director, advisory director or officer of the Association; (ii) any person who, while serving in any of the capacities referred to in clause (i) hereof, served at the Association's request as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise; and (iii) any person nominated or designated by (or pursuant to authority granted by) the Board of Directors or any committee thereof to serve in any of the capacities referred to in clauses (i) or (ii) hereof.

(b) **"Official Capacity"** means (i) when used with respect to a director, the office of director of the Association, and (ii) when used with respect to a person other than a director, the elective or appointive office of the Association held by such person or the employment or agency relationship undertaken by such person on behalf of the Association, but in each case does not include service for any other foreign or domestic corporation or any partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise.

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

Section 14.2 **Indemnification.** The Association shall indemnify every Indemnitee against all judgments, penalties (including excise and similar taxes), fines, amounts paid in settlement, and reasonable expenses actually incurred by the Indemnitee in connection with any Proceeding in which he was, is or is threatened to be named a defendant or respondent, or in which he was or is a witness without being named a defendant or respondent, by reason, in whole or in part, of his serving or having served, or having been nominated or designated to serve, in any of the capacities referred to in Section 14.1(a), if it is determined in accordance with Section 14.4 that the Indemnitee (i) conducted himself in good faith, (ii) reasonably believed, in the case of conduct in his Official Capacity, that his conduct was in the Association's best interests and, in all other cases, that his conduct was at least not opposed to the Association's best interests, and (iii) in the case of any criminal Proceeding, had no reasonable cause to believe that his conduct was unlawful; *provided, however,* that in the event that an Indemnitee is found liable to the Association or is found liable on the basis that personal benefit was improperly received by the Indemnitee, the indemnification (i) is limited to reasonable expenses actually incurred by the Indemnitee in connection with the Proceeding and (ii) shall not be made in respect of any Proceeding in which the Indemnitee shall have been found liable for willful or intentional misconduct in the performance of his duty to the Association. Except as provided in the immediately preceding proviso to the first sentence of this Section 14.2, no indemnification shall be made under this Section 14.2 in respect of any Proceeding in which such Indemnitee shall have been (i) found liable on the basis that personal benefit was improperly received by him, whether or not the benefit resulted from an action taken

in the Indemnitee's Official Capacity, or (ii) found liable to the Association. The termination of any Proceeding by judgment, order, settlement or conviction, or on a plea of nolo contendere or its equivalent, is not of itself determinative that the Indemnitee did not meet the requirements set forth in clauses (i), (ii) or (iii) in the first sentence of this Section 14.2. An Indemnitee shall be deemed to have been found liable in respect of any claim, issue or matter only after the Indemnitee shall have been so adjudged by a court of competent jurisdiction after exhaustion of all appeals therefrom. Reasonable expenses shall include, without limitation, all court costs and all fees and disbursements of attorneys for the Indemnitee.

Section 14.3 **Successful Defense.** Without limitation of Section 14.2 and in addition to the indemnification provided for in Section 14.2, the Association shall indemnify every Indemnitee against reasonable expenses incurred by such person in connection with any Proceeding in which he is a witness or a named defendant or respondent because he served in any of the capacities referred to in Section 14.1(a), if such person has been wholly successful, on the merits or otherwise, in defense of the Proceeding.

Section 14.4 **Determinations.** Any indemnification under Section 14.2 (unless ordered by a court of competent jurisdiction) shall be made by the Association only upon a determination that indemnification of the Indemnitee is proper in the circumstances because he has met the applicable standard of conduct. Such determination shall be made (i) by the Board by a majority vote of a quorum consisting of directors who, at the time of such vote, are not named defendants or respondents in the Proceeding; (ii) if such a quorum cannot be obtained, then by a majority vote of all directors (in which designation directors who are named defendants or respondents in the Proceeding may participate), such committee to consist solely of two (2) or more directors who, at the time of the committee vote, are not named defendants or respondents in the Proceeding; (iii) by special legal counsel selected by the Board or a committee thereof by vote as set forth in clauses (i) or (ii) of this Section 14.4 or, if the requisite quorum of all of the directors cannot be obtained therefor and such committee cannot be established, by a majority vote of all of the directors (in which directors who are named defendants or respondents in the Proceeding may participate); or (iv) by the Members in a vote that excludes the directors who are named defendants or respondents in the Proceeding. Determination as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible, except that if the determination that indemnification is permissible is made by special legal counsel, determination as to reasonableness of expenses must be made in the manner specified in clause (iii) of the preceding sentence for the selection of special legal counsel. In the event a determination is made under this Section 14.4 that the Indemnitee has met the applicable standard of conduct as to some matters but not as to others, amounts to be indemnified may be reasonably prorated.

Section 14.5 **Advancement of Expenses.** Reasonable expenses (including court costs and attorneys' fees) incurred by an Indemnitee who was or is a witness or who is or is threatened to be made a named defendant or respondent in a Proceeding shall be paid by the Association at reasonable intervals in advance of the final disposition of such Proceeding, and without making any of the determinations specified in Section 14.4, after receipt by the Association of (i) a written affirmation by such Indemnitee of his good faith belief that he has met the standard of conduct necessary for indemnification by the Association under this Article XIV and (ii) a written undertaking by or on behalf of such Indemnitee to repay the amount paid or reimbursed

by the Association if it shall ultimately be determined that he is not entitled to be indemnified by the Association as authorized in this Article XIV. Such written undertaking shall be an unlimited obligation of the Indemnitee but need not be secured and it may be accepted without reference to financial ability to make repayment. Notwithstanding any other provision of this Article XIV, the Association may pay or reimburse expenses incurred by an Indemnitee in connection with his appearance as a witness or other participation in a Proceeding at a time when he is not named a defendant or respondent in the Proceeding.

**Section 14.6 Other Indemnification and Insurance.** The indemnification provided by this Article XIV shall (i) not be deemed exclusive of, or to preclude, any other rights to which those seeking indemnification may at any time be entitled under the Articles, any law, agreement or vote of Members or disinterested directors, or otherwise, or under any policy or policies of insurance purchased and maintained by the Association on behalf of any Indemnitee, both as to action in his or her Official Capacity and as to action in any other capacity, (ii) continue as to a person who has ceased to be in the capacity by reason of which he was an Indemnitee with respect to matters arising during the period he was in such capacity, and (iii) inure to the benefit of the heirs, executors, and administrators of such a person.

**Section 14.7 Notice.** Any indemnification of or advance of expenses to an Indemnitee in accordance with this Article shall be reported in writing to the Members with or before the notice or waiver of notice of the next meeting of the Members or with or before the next submission to the Members of a consent to action without a meeting and, in any case, within the twelve-month period immediately following the date of the indemnification or advance.

**Section 14.8 Construction.** The indemnification provided by this Article XIV shall be subject to all valid and applicable laws, including, without limitation, Article 2.02-1 of the Texas Business Association Act, and, in the event this Article XIV or any of the provisions hereof or the indemnification contemplated hereby are found to be inconsistent with or contrary to any such valid laws, the latter shall be deemed to control and this Article XIV shall be regarded as modified accordingly, and, as so modified, to continue in full force and effect.

**Section 14.9 Continuing Offer, Reliance, etc.** The provisions of this Article XIV (i) are for the benefit of, and may be enforced by, each Indemnitee of the Association the same as if set forth in their entirety in a written instrument duly executed and delivered by the Association and such Indemnitee, and (ii) constitute a continuing offer to all present and future Indemnitees. The Association, by its adoption of these Bylaws, (i) acknowledges and agrees that each Indemnitee of the Association has relied upon and will continue to rely upon the provisions of this Article XIV in becoming, and serving in any of the capacities referred to in Section 14.1(a) hereof, (ii) waives reliance upon, and all notices of acceptance of, such provisions by such Indemnitees, and (iii) acknowledges and agrees that no present or future Indemnitee shall be prejudiced in his right to enforce the provisions of this Article XIV in accordance with their terms by any act or failure to act on the part of the Association.

**Section 14.10 Effect of Amendment.** No amendment, modification or repeal of this Article XIV or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitees to be indemnified by the Association, nor the obligation of the Association to indemnify any such Indemnitees, under and in accordance with the


provisions of this Article XIV as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

**ARTICLE VX  
MISCELLANEOUS**

Section 15.1 **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.

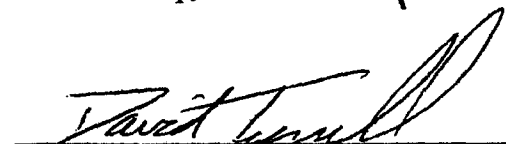
Section 15.2 **Notices.** Unless otherwise provided herein, all notices, demands, bills, statements or other communications hereunder shall be in writing and shall be deemed to have been delivered, upon deposit if delivery is by US mail, upon successful transmittal if delivery is by facsimile, or upon delivery if by personal delivery

Dated this 15<sup>th</sup> day of April, 2002.

  
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David E. Wollaston, Sr., Director

  
\_\_\_\_\_  
Chad Wollaston, Director

  
\_\_\_\_\_  
Richard Kemp, Director

  
\_\_\_\_\_  
David Tyrell, Director

  
\_\_\_\_\_  
David Keeny, Director