

BYLAWS
OF
WATERHILL HOMES ON COMMERCE STREET COMMUNITY
ASSOCIATION, INC.

A TEXAS NON-PROFIT CORPORATION

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**BYLAWS OF WATERHILL HOMES ON COMMERCE STREET
COMMUNITY ASSOCIATION, INC.**

A TEXAS NON-PROFIT CORPORATION

ARTICLE I. Name: Offices

1.1. Name. The name of the corporation is WATERHILL HOMES ON COMMERCE STREET ASSOCIATION, INC. (hereinafter referred to as the “***Association***”).

1.2. Principal Office. The principal office of the Association is located at 945 McKinney Street, Suite 111, Houston, Texas 77002. The address of the principal office may be changed from time to time as directed by resolution of the Board of Directors. The Association may also have offices at such other places as the Board of Directors may from time to time designate or as its business may require.

1.3. Registered Office and Agent. The Association shall have and continuously maintain in the State of Texas a registered office and a registered agent as required by the Texas Non-Profit Corporation Act. The registered office may be, but need not be identical with the principal office of the Association. The registered agent and address of the registered office may be changed from time to time by the Board of Directors in accordance with the Texas Non-Profit Corporation Act.

ARTICLE II. Definitions

2.1. Incorporation of Definitions. All definitions as set forth in the “Declaration of Covenants, Conditions, Restrictions and Easements for Waterhill Homes on Commerce Street” heretofore filed on September 27, 2007 under Clerk’s File No. 20070590024, Official Public Records of Real Property of Harris County, Texas (the “***Declaration***”), are hereby incorporated by reference herein. In addition to the foregoing and to any other definitions set forth in these Bylaws, the following term has the following meaning:

2.1.1. Assessments. “Assessments” means any and all assessments, annual, special, specific or otherwise, and all other monetary obligations owed by any Member or Owner to the Association as provided for in, and in accordance with, the Declaration and any other applicable Governing Documents.

ARTICLE III. Membership; Voting Rights

3.1. Membership; Voting Rights. As more fully described in the Declaration, every Person who is the Owner of a fee simple title or undivided fee simple title interest applicable to any Lot that is subject to the Declaration is a Member of the Association, and as such shall have and exercise voting rights as set forth in Section 3.04 of the Declaration.

3.2. Designate Representative Required. Each Member that is not a natural person is required to designate one natural person to act on such Member’s behalf as herein provided. The

designation must be by written and dated notice stating (i) the name, contact address and telephone number of the designating entity and of the designated representative, and (ii) the effective date of such designation which effective date may not be earlier than midnight of the date of receipt of the notice by the Association. The Association is not required to recognize any person as being authorized to represent or act on behalf of any Member that is not a natural person until such designation has been received by the Association. A designation as aforesaid fully authorizes the designated representative to bind the designating entity as to all matters. Whether or not such authority is expressly stated in the written designation provided, the Board may require any designated representative to show authority to act in such manner as the Board may reasonably require. Any designated representative may be changed from time to time in the same manner as required for original designation. In the event of conflict between designations, the most currently dated designation will control. Any such representative may serve as a Director as provided in these Bylaws. The Board may by resolution establish additional procedures and requirements as to the designation and authority of representatives not inconsistent with this Section.

3.3. Cumulative Voting Prohibited. Cumulative voting is prohibited as to any matter placed before the membership for a vote, including election of Directors.

3.4. Suspension of Voting Rights. All voting rights appurtenant to ownership of a Lot will or may be suspended, subject to notice and an opportunity to be heard, in accordance with the following:

3.4.1. Automatic Suspension. All voting rights appurtenant to a Lot are automatically suspended during any period of time any Assessments owed to the Association are delinquent and remain unpaid, and during such suspension, no Owner of such Lot is entitled to vote upon any matters coming before the membership. The suspension continues through the date of receipt by the Association of payment in full, and through the date of completion of processing of the payment, including deposit and negotiation of any personal check.

3.4.2. Suspension after Notice. Upon not less than thirty (30) days' written notice and opportunity to be heard, the Board of Directors may suspend the voting rights appurtenant to any Lot as to which the Owner or any occupant thereof, or their respective Related Parties, are in violation of any provision of the Governing Documents as determined in the sole opinion of the Board of Directors. During such period of suspension no Owner of the affected Lot is entitled to vote upon any matters coming before the membership. In the event of such suspension, any affected Owner has the right to petition the Board of Directors in writing for reinstatement of voting rights, and an opportunity to be heard thereon.

3.4.3. Good Standing. A Member is not in good standing during any period during which the Member's voting rights have been suspended, including any period during which any Assessments are owed to the Association or a violation of the Governing Documents exists on the Member's Lot.

3.5. Voting Procedures. Voting on any matter brought before the membership must be conducted in accordance with the following:

3.5.1. Right to and Manner of Vote. At all meetings of Members, voting may be in person or by proxy. Voting by proxy will be deemed voting in person for all purposes. Voting by Mail-In Ballot is permitted only as provided by Section 3.5.2.

3.5.2. Limited Right to Elect Directors by Mail-In Ballot. With respect only to the election of Directors, the Board of Directors may also authorize and adopt procedures whereby Members may cast a ballot vote by mail, by facsimile transmission or by any combination of the two (herein referred to as a “***Mail-In Ballot***”). Voting as to election of Directors by Mail-In Ballot will be deemed voting in person only as to such election. To the extent applicable, references in these Bylaws to ballots also include Mail-In Ballots.

3.5.3. Form of Proxy or Ballot: Voting Procedures.

(a) All proxies or ballots must be in writing, dated and signed by the Member giving or casting same, and must set forth the printed name(s) of the Member(s) and the addresses) of each Lot as to which voting rights are being exercised.

(b) Members may vote only by written proxy or ballot as to (i) election of Directors by Members, (ii) amendment, modification or repeal of any Governing Documents when a vote of the Members as to same is required, (iii) merger, consolidation or dissolution of the Association, (iv) sale, lease or exchange of all, or substantially all, the property and assets of the Association, and (v) any other matters as from time to time determined by the Board of Directors. As to any of the foregoing, only ballot type proxies which set forth the specific matters to be voted on and which allow the Person giving the proxy an opportunity to determine the manner in which the proxy holder must vote are permitted. General or blanket type proxies are permitted as to any other matters.

(c) Proxies and Mail-In Ballots must be received by the Association by the date of the meeting to which same pertains, or such earlier date certain as stated in the notice of the meeting, which date certain may not be more than three (3) business days prior to the meeting.

(d) When acting pursuant to a proxy, each proxy holder must sign and date the original proxy or a copy thereof and any ballot cast pursuant thereto.

(e) A proxy or ballot is valid only for the meeting to which same pertains or subsequent adjourned meetings thereof provided the adjourned meetings are held within one hundred twenty (120) days of the date of the original meeting.

(f) Any proxy or ballot which is not in writing and signed by the Member giving or casting same is invalid. Any undated proxy or ballot will be dated as of the date received by the Association or as of the date of the meeting to which same pertains. The validity of any proxy or ballot due to any other defect in form will be determined by the Vote Tabulators (as defined in Section 3.6), whose decisions thereon shall be final.

3.5.4. Revocation of Proxy or Mail-In Ballot. Except to the extent otherwise expressly provided therein, all proxies and Mail-In Ballots are revocable until the call for voting

upon the matters to which same pertain; provided that once delivered to the custody of the Association, no proxy or Mail-In Ballot may be revoked except in writing, either by printing “revoked” on same and signing and dating such notation, or by separate instrument specifically identifying the proxy or Mail-In Ballot to be revoked and which is dated and signed. Any such revocation will be effective only if actually received by the Association prior to call for voting upon the matters to which the revocation pertains.

3.5.5. Voice or Show Votes. Except as provided in Section 3.5.3(b) or as otherwise required by the Declaration or law, the Members (or their proxy holders) may vote on any matters by voice, by rising or by show of hands as the Chairperson of the meeting shall direct.

3.6. Verification and Tabulation of Voting Results.

3.6.1. By Whom Verified. Voice or show voting results as provided in Section 3.5.5 will be verified by the Chairperson of the meeting to which same pertains. Proxy or ballot voting results will be verified, tabulated and maintained by the Board of Directors, or by legal counsel to the Association and/or such other committee of three or more persons as may be designated by the Board of Directors (the “Vote Tabulators”).

3.6.2. Verification of Right to Vote. Satisfactory proof of membership, or of a Member’s good standing, or any other qualifications necessary to the validity of a ballot or proxy, may be required if in the sole good faith opinion of the Vote Tabulators reasonable doubt as to same exists.

3.6.3. Proxies or Ballots Confidential. No ballot or proxy may be inspected by any Person other than the Vote Tabulators and or legal counsel to the Association. The Vote Tabulators and/or legal counsel will inspect ballots and proxies solely for the purposes of validating same and tabulating the results of any vote of the membership and the contents of same will be held in confidence by all such parties.

3.6.4. Minimum Period of Retention of Ballots or Proxies. The Association shall maintain proxies and ballots for four (4) years from the date of the meeting or other action to which same pertain after which such ballots and proxies may be destroyed.

3.6.5. Announcement of Voting Results. The membership will be notified of the results of tabulation of any vote (i) verbally at the meeting to which same pertains, or (ii) after the meeting by written notice given to all Members if only a tentative result can be determined at the meeting. In either case, the final results will be made a part of the minutes of the meeting, but a specific count of the voting need not be included in the minutes.

3.6.6. Verification of Ballot or Proxy Votes. When tabulating any voting results at a meeting, the Vote Tabulators may disregard any proxy or ballot the validity of which is reasonably in doubt as determined in the sole opinion of the Vote Tabulators. If after tabulating the results of any vote of the membership disregarding any doubtful ballots or proxies, the results of such tabulation could not be changed even if all such doubtful ballots or proxies were counted as votes against the results otherwise obtained, a final tabulation will be announced at the meeting. If the results of any vote could be changed by counting the doubtful ballots or proxies

as aforesaid, a tentative result will be announced at the meeting after which a final tabulation will be made as soon as practicable. When a tentative result has been announced, the Vote Tabulators and/or legal counsel to the Association will make every reasonable effort to finally validate or invalidate all doubtful ballots and proxies. If in the sole opinion of the Vote Tabulators and/or legal counsel to the Association a reasonably certain result cannot be announced due to the number of doubtful ballots and/or proxies, then such vote shall be declared void and the membership will be so notified.

3.6.7. Verification of Voice or Show Vote. If the Chairperson at any meeting is in doubt as to the results of any vote by voice, the Chairperson may call for verification by revote by rising or show of hands, and/or as to either method require a specific count. By majority vote, the Members present at the meeting may require verification of any voice vote in the same manner.

3.6.8. Notice and Limitations Period to Challenge Vote. AS A CONDITION PRECEDENT TO ANY SUIT OR OTHER PROCEEDINGS TO CHALLENGE OR OTHERWISE DISPUTE TABULATION OR VERIFICATION OF ANY VOTE, OR ANY OTHER MATTERS PERTAINING TO THE VALIDITY OF ANY MEETING OF MEMBERS, OR ANY VOTE, OR OTHER ACT OR OMISSION OF THE MEMBERSHIP, WRITTEN NOTICE MUST BE GIVEN TO THE BOARD OF DIRECTORS AND, IF APPLICABLE, TO THE ASSOCIATION'S MANAGING AGENT, NOT LATER THAN (I) NINETY (90) DAYS AFTER THE DATE OF THE APPLICABLE MEETING, OR (II) WHEN APPLICABLE, NINETY (90) DAYS AFTER THE GIVING OF NOTICE AS TO A TENTATIVE VOTING RESULT ANNOUNCED AT THAT MEETING. THE NOTICE MUST SET FORTH THE BASIS FOR ANY CHALLENGE OR OTHER DISPUTE WITH SUFFICIENT DETAIL TO PROVIDE FAIR NOTICE AS TO THE BASIS. IN ADDITION BUT WITHOUT LIMITATION OF THE FOREGOING, ANY SUIT TO CHALLENGE OR OTHERWISE DISPUTE TABULATION OR VERIFICATION OF ANY VOTE OR ANY OTHER MATTERS PERTAINING TO THE VALIDITY OF ANY MEETING OF MEMBERS OR ANY VOTE OR OTHER ACT OR OMISSION OF THE MEMBERSHIP AT OR PURSUANT TO ANY MEETING OF MEMBERS MUST BE FILED IN HARRIS COUNTY, TEXAS NOT LATER THAN TWO (2) YEARS AFTER THE DATE OF THE APPLICABLE MEETING.

ARTICLE IV. Meetings of Members

4.1. First Meeting; Subsequent Annual Meetings. The first meeting of Class A Members of the Association will be called, noticed and conducted as provided in the Declaration and Directors shall be elected thereat for terms as specified in Section 5.3. Each annual meeting thereafter will be held during the same month of each year as the month in which the first meeting of Class A Members was held, on such date and at such time as determined by the Board of Directors, and at such place within Harris County, Texas as determined by the Board of Directors.

4.2. Special Meetings. Special meetings of the Members may be called at any time by the President, or by the Board of Directors, or by written petition signed by the Owners of not less than one-tenth (1/10) of all Lots then contained within the Subdivision.

4.3. Notice of Meetings. Written notice of each meeting of the Members will be given by, or at the direction of, the Secretary or such other person authorized to call the meeting, not less than ten (10) or more than sixty (60) days before such meeting to each Member according to the records of the Association. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose or purposes of the meeting.

4.4. Quorum. The presence, in person or by proxy and whether or not in good standing, at any meeting of (i) Class A Members representing the Owners of not less than twenty percent (20%) of all Lots then contained in the Subdivision, and (ii) a majority of Class B Members so long as there are Class B Members constitutes a quorum for any action except as otherwise required by law, the Articles of Incorporation, the Declaration or these Bylaws. If a quorum is not present or represented at any meeting, the Chairperson of the meeting has the power to adjourn the meeting from time to time, without any further formality or notice other than announcement at the meeting, until a quorum as aforesaid is present or represented; provided, the adjourned meeting or meetings must be held within one hundred twenty (120) days of the date of the original meeting. At any such adjourned meeting at which a quorum is present or represented, any business may be transacted which might have been transacted at the meeting as originally called.

4.5. Majority Vote. The vote, in person or by proxy, of a majority of the votes entitled to be cast at a meeting at which at least a quorum is present or represented is the act of the Members meeting except as otherwise provided or required by law, the Articles of Incorporation, the Declaration, or these Bylaws. Any such act of a Members meeting is binding upon all Owners.

ARTICLE V. Board of Directors

5.1. Composition. The affairs of the Association will be managed by a Board of Directors. The number of Directors may be increased or decreased from time to time by resolution of the Board; provided the Board shall at all times have not less than three (3) Directors. DECLARANT IS ENTITLED TO APPOINT, RE-APPOINT, ELECT OR REMOVE ALL DIRECTORS UNTIL CONDUCTING OF THE FIRST MEETING OF THE MEMBERS OF THE ASSOCIATION AND ELECTION BY CLASS A MEMBERS OF A BOARD OF DIRECTORS AS PROVIDED IN SECTION 11.04.1 OF THE DECLARATION. Unless otherwise expressly required by law or other applicable provision of the Governing Documents, the Board of Directors may exercise and will have all rights, powers, authority and responsibilities of the Association.

5.2. Qualifications. All persons seeking election as a Director and who serve as a Director are subject to the following:

5.2.1. Membership. All Directors must be Members of the Association. A designated representative appointed as provided in Section 3.2 may hold a directorship.

5.2.2. Disqualification.

(a) No Member is eligible for election to the Board if such Member is in violation of any provisions of the Governing Documents. If such violation arises after

election, then such Director may be removed as a Director (and as an officer of the Association, if applicable) by majority vote of the remaining Directors, and is automatically so removed if such Director fails to fully cure all violations upon not less than thirty (30) days' written notice by the Board or its designated representative and an opportunity to be heard. The opinion of the Board as to the existence, continuance or curing of a violation of the Governing Documents is final.

(b) No Member or designated representative of a Member may be appointed or elected as a Director if, as a result, a majority of the Directors would be affiliated with a single Owner, regardless of the number of Lots the single Owner may own. As used in the previous sentence, "***affiliated***" means a Member that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with the single Owner.

5.2.3. Designated Representatives. The representative of a Member designated as provided in Section 3.2 may be appointed or elected to a directorship provided that notice of the designation is received by the Association at least ten (10) days prior to the annual or other meeting at which such representative may stand for election or appointment. A designated representative serving as a Director may be replaced by the appointing entity upon not less than ten (10) days' written and dated notice and compliance with such other requirements as the Board may from time to time determine.

5.2.4. Inapplicability to Declarant. During the Development Period this Section 5.2 does not apply to Declarant or to any person designated or appointed by Declarant to the Board in accordance with the Declaration.

5.3. Directorship Positions; Term of Office. Directors will initially be appointed or elected to one of the three (3) "***Directorship Positions***" designated as Positions One through Three. The initial Board of Directors named in the Association's Articles of Incorporation, or such other persons as may be appointed by Declarant during the Development Period, will serve until the first meeting of Class A Members. At the first meeting of Class A Members, one Director will be elected to Directorship Position One for a two-year term and two Directors will be elected to Directorship Positions Two and Three for one-year terms. Thereafter, Directors will be elected for two-year terms. Nominees receiving the largest number of votes will be elected as provided in the next Section.

5.4. Nomination: Election: Cumulative Voting Prohibited. Before each annual meeting of Members, the Board of Directors shall make reasonable efforts to obtain at least as many nominees for election to the Board as will be required to fill all Directorship Positions to be elected at the ensuing annual meeting. All such nominees must be listed in or included with the notice of each annual meeting. Nominations may also be made from the floor at each annual meeting. Election to the Board of Directors must be by ballot (including Mail-In Ballot) or proxy. At each election the Members or their proxies may cast, in respect of each vacancy as many votes as they are entitled to exercise under the provisions of these Bylaws. At the first meeting of Class A Members, the three (3) nominees receiving the largest number of votes shall be elected with the nominee receiving the largest number of votes to be elected to the two-year term. Thereafter, the nominee or nominees receiving the largest number of votes shall be elected

to the Directorship Position or Positions to be filled at the meeting. Cumulative voting is not permitted.

5.5. Vacancies on Board of Directors.

5.5.1. Development Period. NOTWITHSTANDING SECTIONS 5.5.2 OR 5.5.3 OR ANY OTHER PROVISIONS HEREOF, DECLARANT HAS THE EXCLUSIVE RIGHT TO APPOINT, REAPPOINT, ELECT OR REMOVE ANY DIRECTOR AND TO FILL ALL VACANCIES ON THE BOARD OF DIRECTORS DURING THE DEVELOPMENT PERIOD AND THEREAFTER UNTIL CONDUCTING OF THE FIRST MEETING OF CLASS A MEMBERS OF THE ASSOCIATION AND ELECTION BY CLASS A MEMBERS OF A BOARD OF DIRECTORS.

5.5.2. Resignation, Death or Incapacity. In the case of resignation, death, or incapacity to serve of any Director, the vacancy shall be filled by the affirmative vote of a majority of the remaining Directors then in office though less than a quorum of the entire Board, and any Directors so appointed will hold office for the full remaining term of the Directorship Position to which appointed and until their successors are elected and have qualified.

5.5.3. Removal. Any Director may be removed, either with or without cause, at any special meeting of Members by affirmative vote of two-thirds (2/3) of the votes entitled to be cast at the meeting, in person or by proxy. The notice calling such meeting must give notice of the intention to act upon such matter. If the notice so provides, the vacancy caused by the removal may be filled at such meeting by a majority vote of the Members voting in person or by proxy. For cause, a Director may be removed at any special meeting of Directors by the affirmative vote of a majority of the remaining Directors. Without regard to the foregoing, any Director who is absent from three consecutive meetings of the Board or who is absent from three meetings of the Board during anyone year, or any Director whose voting rights as a Member have been suspended as provided in the Declaration or these Bylaws may be removed by the affirmative vote of a majority of the remaining Directors. Unless otherwise provided in the notice of a meeting to remove a Director, vacancies caused by removal will be filled as provided in Section 5.5.2.

5.6. Compensation. No Director may receive compensation for any services rendered to the Association in his or her capacity as a Director; provided, however, any Director may be reimbursed for actual expenses incurred in the performance of his or her duties; and provided further, any Director may serve the Association in any other capacity as an agent or employee or otherwise and receive compensation therefore.

5.7. Powers and Duties of the Board of Directors. The Board of Directors shall exercise for the Association all powers, duties and authority vested in or delegated to this Association and not expressly reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration. It shall also be the duty of the Board of Directors to:

- (a) cause to be kept a complete record of all its acts and corporate affairs, and to present a statement thereof to the Members at each annual meeting of the Members;

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

(c) fix the amount of regular or annual Assessments, and take such actions as it deems appropriate to collect all assessments due to the Association, regular, special or specific, and enforce the liens given to secure payment thereof, all as more particularly described in the Declaration;

(d) procure and maintain such liability and hazard insurance as it may deem appropriate on any property or facilities owned by the Association, including insurance coverage required by the Declaration;

(e) cause any officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and,

(f) in general, manage the affairs of the Association in accordance with, and enforce the provisions of, all Governing Documents.

5.8. Settlement of Claims. Without limiting Section 5.7 regarding powers of the Board, the Board of Directors is specifically authorized to compromise and settle any and all claims, demands, liabilities and causes of action whatsoever held by or asserted against the Association upon such terms and conditions as the Board may determine, and the decisions of the Board as to any of the foregoing is final and conclusive.

ARTICLE VI. Meetings of Directors

6.1. Place of Meetings. Meetings of the Board of Directors may be held within Harris County, Texas, at such place as is specified by the officer or Directors calling the meeting. In the absence of specific designation, the meeting will be held at the principal office of the Association.

6.2. Annual Organizational Meeting. Within thirty (30) days after each annual meeting of Members, the Board of Directors shall hold an annual organizational meeting at such time and place as is agreed upon by a majority of the Directors for the purposes of (i) electing all officers of the Association, (ii) electing all Chairpersons of all Advisory Committees of the Association, (iii) electing Chairpersons and all Vice Chairpersons of all Executive Committees; and (iv) the transaction of such other business as may be properly brought before it. No notice of such organizational meeting need be given to either old or new members of the Board of Directors.

6.3. Regular Meetings. Regular meetings of the Board of Directors will 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.

6.4. Special Meetings. Special meetings of the Board of Directors will 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.

6.5. Quorum. A majority of the Directors constitutes a quorum for the transaction of business at any meeting. Every act or decision done or made by a majority of the Directors present in person or by proxy at a meeting at which a quorum is present is the act of the Board.

6.6. Notice of Meetings. No notice of annual organizational meetings or regular meetings need be given to any Director. Oral or written notice of all special meetings of the Board of Directors stating the place, date, time and the purpose or purposes of the special meeting shall be given or sent by mail or facsimile (with confirmation of delivery) to the last known address or facsimile number of each Director at least three (3) days before the special meeting. Notice of any meeting may be waived in writing before, at or after the meeting. Attendance of a Director at any meeting constitutes a waiver of notice thereof, except where he or she attends for the announced purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened.

6.7. Open Meetings. Except as provided in Section 6.8 of these Bylaws, all meetings of the Board of Directors may be open to all Members of the Association; provided, Members who are not on the Board may not participate in any deliberation or discussion unless: (i) such Member has filed a written request with any Director to be placed on the meeting agenda at least forty-eight (48) hours prior to the meeting stating in such request the purpose or purposes of his or her attendance, and in such case the requesting Member's participation is limited to the stated purpose(s); or (ii) expressly so authorized by vote of the Board.

6.8. Executive Sessions. The Board of Directors may adjourn a meeting and reconvene in closed executive session to review and consider any actions involving personnel, pending litigation, contract negotiations, enforcement actions, matters involving the invasion of privacy of individual Owners matters that are to remain confidential by request of the affected parties and agreement of the Board, and any communications or documents not subject to inspection of Members and any other business of a confidential nature as set forth in Article X of these Bylaws.

6.9. Properties. A Director may vote in person or by proxy executed in writing by the Director. Directors present by proxy may not be counted toward a quorum. No Director's proxy is valid unless dated and signed, and no such proxy is valid after ninety (90) days from the date of the proxy. Each proxy shall be revocable unless expressly provided therein to be irrevocable, and unless otherwise made irrevocable by law.

ARTICLE VII. Committees

7.1. Establishment. The Board of Directors may, by resolution adopted by a majority of the Directors in office, from time to time appoint, organize, re-organize and abolish such committees as it shall deem desirable subject to the following:

7.1.1. Executive Committees. The Board of Directors may designate such Executive Committees as it deems desirable. All Executive Committees must consist of three (3) or five (5) members, and a majority of all members of each Executive Committee must at all times be Directors of the Association. Executive Committees may exercise such authority of the Board of Directors in the business and affairs of the Association as the Board of Directors may

by resolution duly delegate to it except where action by the Board of Directors is specified by law. The designation of Executive Committees and delegation thereto of authority does not operate to relieve the Board of Directors, or any member thereof, of any responsibilities imposed upon any such member by law. All members of each Executive Committee must be elected by the Board of Directors upon establishment and thereafter at each annual organizational meeting. Any member of any Executive Committee may be removed for or without cause at any regular or special meeting of the Board of Directors whenever in the judgment of the Board the best interests of the Association will be served thereby.

7.1.2. Architectural Control Committee. Any Architectural Control Committee designated by the Board of Directors must be formed as an Executive Committee in accordance with Article IV of the Declaration.

7.1.3. Advisory Committees. The Board of Directors may for its convenience, and at its discretion, appoint one or more advisory committees. No advisory committees may have any power or authority except to advise the Board of Directors. The Chairperson of each advisory committee must be appointed by the Board of Directors upon establishment and thereafter at each annual organizational meeting. Other members may be appointed by the Board of Directors or Chairperson as directed by the Board, provided the Chairperson shall promptly notify the Board of any appointments by the Chairperson. Any such committee exists solely at the pleasure of the Board of Directors, and any member thereof may be removed at any time for or without cause by vote of a majority of a quorum of the Board.

7.2. Qualifications; Compensation. Except for Directors, members of any committees need not be Members of the Association. No member of any committee shall receive any compensation for such membership except for reimbursement of reasonable expenses actually incurred by reason of such membership. The Board of Directors may employ such personnel as it deems necessary to assist any committee in accomplishing the committee's objectives and compensate such personnel in the capacity employed whether or not such personnel are also members of a committee.

7.3. Meetings; Reports. Each committee will hold its first regular meeting at such time and place as determined by the Chairperson thereof as soon as practicable after appointment of the Chairperson for the purposes of determining specific committee member responsibilities and specific committee goals and objectives consistent with all directives of the Board of Directors including priorities among such objectives and methods and target dates for achieving same. If requested by the Board of Directors, the Chairperson shall submit a written summary of the first meeting to the Board or any member thereof. Each committee may conduct such other regular meetings, without notice or call, by the Chairperson or any two members thereof, or the President or Board of Directors of the Association, any such meeting to be held at such place and time as may be designated by the party calling such meeting. A majority of the members of a committee constitutes a quorum, and the vote of a majority of a quorum at any meeting of the committee is the act of the committee. Minutes of the meetings of each committee need not be maintained; provided, minutes and records must be maintained as to any authority of the Board of Directors actually exercised by an Executive Committee. Each Chairperson shall keep the Board fully advised at all times of all activities of the committee.

ARTICLE VIII. Officers and Chairpersons

8.1. Enumeration of Offices. The officers of this Association are a President, who must be at all times a member of the Board of Directors, a Vice President, a Secretary, and a Treasurer, and such other officers as the Board may from time to time by resolution create.

8.2. Election; Term. The officers of this Association will be elected annually by the Board at its annual organizational meeting, and each will hold office for one (1) year and until his or her successor is elected and qualified unless he or she shall sooner resign, be removed, or otherwise become disqualified to serve.

8.3. Resignation and Removal. Any officer may be removed from office at any time, with or without cause, by the Board of Directors. Any officer may resign at any time by giving written notice to the Board of Directors or any member thereof, or to the President. Such resignation will 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 by the Board of Directors will not be necessary to make it effective.

8.4. Vacancies. A vacancy in any office may be filled by appointment by the Board of Directors. The officer appointed to such vacancy will serve for the remainder of the term of the officer he or she replaces.

8.5. Multiple Office. The same person may not simultaneously hold the office of President and Secretary. Any two or more offices may otherwise be held by the same person.

8.6. Chairpersons for Member and Board Meetings. The President of the Association shall act as the Chairperson of all meetings of the Members and all meetings of the Board of Directors. In the President's absence, the Chairperson will be, in the following order if any such officer is absent, the Vice President, Treasurer or Secretary; or in the event of absence of all officers, one of the remaining Directors will be elected by majority vote of the Directors present at the meeting to act as Chairperson.

ARTICLE IX. Duties of Officers and Chairpersons

9.1. President. The President shall preside at all meetings of the Board of Directors and of the Association; shall see that orders and resolutions of the Board are carried out; shall sign as President all leases, mortgages, deeds and other written instruments and shall co-sign with any other officer all checks and promissory notes which have been first approved by the Board of Directors unless the Board has authorized the signature(s) by lesser officers; subject to advice of the Board of Directors, has general supervision, direction, and control of the affairs of the Association; and shall discharge such other duties as may be required by the Board of Directors.

9.2. Vice-President. The Vice-President shall act in the place and stead of the President in the event of his or her absence, inability or refusal to act, and exercise and discharge such other duties as may be required of him by the Board.

9.3. Secretary. The Secretary shall record, or cause to be recorded, the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; give 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 perform such other duties as required by the Board.

9.4. Treasurer. The Treasurer shall receive and deposit, or cause to be received and deposited, in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by the Board of Directors; keep proper books of account; and keep accurate books and records of the fiscal affairs of the Association and report on and make the same available for inspection by Members of the Association as required by the Board, these Bylaws or the Declaration.

9.5. Other Officers. Such other officers as the Board of Directors may from time to time create will have such duties as directed or required by the Board for such duration as determined by the Board.

9.6. Chairpersons. Chairpersons shall establish agendas for meetings, call to order and preside over meetings, verify quorums, call for and conduct voting and verify results thereof, resolve procedural disputes, decide who is entitled to the floor and limit the duration thereof as to any one person, establish limits on the period of time to be allowed for discussion of any given issue, motion or other matters, and in general shall supervise the orderly conduct of meetings and obtaining of correct expressions of the decisions made thereat. The Chairperson's determinations as to any of the foregoing matters are final so long as made in good faith.

ARTICLE X. Books and Records

10.1. General Right of Inspection. Subject to the provisions of Section 209.005 of the Texas Property Code and Sections 10.2, 10.3 and 10.4 of these Bylaws, every Member of the Association, on written demand stating the purpose of the demand, shall have the right to examine and copy, in person or by agent, accountant, or attorney, at any reasonable time, for any proper purpose, the books and records of the Association relevant to that purpose, at the expense of the Member. Any such examination must be conducted at the office of the Association or at such other place in Harris County, Texas as the Board of Directors may prescribe. No Member may remove any books and records from the possession of the Association for any reason.

10.2. Exclusions. Notwithstanding Section 10.1, no Member or Member representative is entitled to examine, and the Association has a privilege to refuse to disclose, any documents containing (i) any confidential communications by and between past or current legal counsel to the Association and the Board of Directors of the Association, or any officer, agent, employee, representative or committee of either, (ii) Member communications regarding alleged violation of any Governing Documents, (iii) any confidential communications as determined by the Board of Directors in accordance with Section 10.3 or as otherwise provided in the Declaration, (iv) any communications privileged under the Texas Rules of Civil or Criminal Procedure, the Texas Rules of Civil or Criminal Evidence, and any other applicable statute or law of the State of Texas or United State of America, or (v) any communication or documents relating to executive sessions of the Board of Directors as provided in Section 6.8.

10.3. Confidential Communications. By vote of two-thirds (2/3) of all Directors then in office, the Board of Directors is entitled to designate such books, records and communications confidential as the Board deems in its sole opinion the best interests of the Association require be kept confidential, including without limitation confidentiality deemed necessary for the protection of the privacy rights of individual Members, consideration of competitive bids until a final bid is accepted, and matters where any conflict of interest exists between a Member and the Association and disclosure would detrimentally affect the interests of the Association.

10.4. Rules of Inspection. Subject to Section 209.005 of the Texas Property Code, the Board of Directors may from time to time establish reasonable rules for inspection of any books and records of the Association with respect to: (i) notice to be given to the custodian of the records; (ii) hours and days of the week when inspections may be made; and (iii) payment of reasonable duplication, administrative and other costs of inspection, the payment of which shall be a condition precedent to the duty of the Association to incur the cost or the right of any Member to obtain copies of any books and records.

ARTICLE XI. Amendment

11.1. Amendment by Declarant. SUBJECT TO SECTION 209.0041 OF THE TEXAS PROPERTY CODE, DURING THE DEVELOPMENT PERIOD DECLARANT HAS THE SOLE RIGHT TO AMEND, MODIFY OR REPEAL THESE BYLAWS WITHOUT JOINDER OR CONSENT OF, AND WITHOUT NOTICE OF ANY KIND TO, ANY OWNER, MEMBER, MORTGAGEE OR ANY OTHER PERSON AS PROVIDED IN THE DECLARATION.

11.2. Amendment by Association. After the Development Period, the Association by vote of the Board of Directors may amend, modify or repeal these Bylaws in the same manner and for the limited purposes provided for in Section 12.02.2 of the Declaration. Any such amendment, modification or repeal so adopted is binding upon all Members and all Owners.

11.3. Amendment by Owners. During the Development Period with Declarant's written consent, and at any time after the Development Period, these Bylaws may be amended or otherwise modified or repealed, in whole or in part, at any annual or special meeting of the Members by the affirmative vote of two-thirds (2/3) of the votes entitled to be cast at the meeting, in person or by proxy. Any such amendment, modification or repeal so adopted is binding upon all Members and all Owners.

11.4. Notice for Amendment by Owners. The notice for any meeting of the Members at which any amendment or other modification or repeal of these Bylaws is to be considered must state such purpose, and must contain or be accompanied by a true and correct copy of the proposed amendment(s) or a summary statement thereof.

11.5. No Impairment of Declarant's Rights. NO AMENDMENT BY THE ASSOCIATION OR BY OWNERS MAY REMOVE, REVOKE OR MODIFY ANY RIGHT OR PRIVILEGE OF DECLARANT WITHOUT THE WRITTEN CONSENT OF DECLARANT.

ARTICLE XII. Miscellaneous

12.1. Notices. Unless otherwise expressly provided herein, all notices or other communications permitted or required under these Bylaws must be in writing and must be given in accordance with Sections 11.09 of the Declaration regarding notice to Declarant, and/or 12.03 of the Declaration regarding all other notices, as applicable.

12.2. Telephone Meetings; Action Taken Without a Meeting Telephone Meetings. Directors, Members or committee members may participate in and hold any of their respective meetings by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this Section shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

12.2.2. Action Without Meeting. The Directors, or Members, or the members of any committee of the corporation have the right to take any action or make any decision in the absence of a meeting which they could take at a meeting by unanimous written consent of all of the Directors, Members, or committee members. The Directors, or Members, or the members of any committee of the corporation may also take any action by a consent in writing signed by a sufficient number of Directors, Members, or committee members as would be necessary to take that action at a meeting at which all Directors, Members, or committee members were present and voted in accordance with Article 1396-9.10 of the Texas Non-Profit Corporation Act. Any action or decision approved as provided in this Section has the same effect as though taken at a meeting of the Directors, Members, or committee members.

12.3. Conflicts. If there are conflicts between the provisions of Texas law, the Articles of Incorporation, the Declaration, and/or these Bylaws, then the provisions of Texas law, the Declaration, the Articles of Incorporation, and the Bylaws (in that order) shall prevail.

12.4. Interpretation. The provisions hereof are to be liberally construed to give full effect to their intent and purposes. The captions of each Article and Section are inserted only for convenience, and are in no way to be construed as defining, limiting, extending, or otherwise modifying or adding to the particular Article or Section to which they refer. Wherever the context requires, all words in the male gender are deemed to include the female or neuter gender, all singular words include the plural, and all plural words include the singular.

12.5. Severability. Whenever possible, each provision of these Bylaws will be interpreted in such manner as to be effective and valid, but if the application of any provisions of these Bylaws to any Person or to any property is prohibited or held invalid, such prohibition or invalidity will not affect any other provision or the application of any provision which can be given effect without the invalid provision or application, and, to this end, the provisions hereof are declared to be severable.

12.6. Power of Attorney. A Person may execute any instrument related to the Association by means of a written power of attorney if an executed copy of the power of attorney is filed with the Association to be kept with the corporate records. Any such power of attorney may be revoked only by expiration of a stated term expressly set forth in the power of attorney or

by filing of a written revocation with the Association, and the Association is not required to determine or comply with any other conditions for termination.

12.7. Applicability of Bylaws. All present or future Members and Owners, tenants thereof, and their respective officers, agents, employees, guests or invitees, or any other Person occupying or residing within or upon the Subdivision or any Lot or utilizing any Community Properties in any manner, are subject to these Bylaws. The mere acquisition, occupancy, use or rental of any Lot or utilization of any Community Properties constitutes acceptance and ratification of these Bylaws, and agreement to strictly comply therewith.

12.8. Waiver of Interest in Corporation Property. All real and personal property, including all Community Properties and all improvements located thereon, acquired by the Association will be owned by the Association. A Member has no interest in specific property of the Association. Each Member hereby expressly waives the right to require partition of all or part of any and all such property.

12.9. Fiscal Year. The fiscal year of the Association may be established from time to time by the Board of Directors, absent which same shall begin on the first day of January and end on the thirty-first day of December of each calendar year.

12.10. Effective Date. These Bylaws of Waterhill Homes on Commerce Street Community Association, Inc., a Texas non-profit corporation, are effective from and after the date of certification of same by the Secretary of the Association.

12.11. Indemnity. To the fullest extent permitted by applicable law, Association shall and does hereby agree to indemnify, protect, hold harmless and defend its Officers, Directors, and Committee Members, hereinafter referred to as "Indemnitees" from and against all claims, demands, damages, injuries, losses, liens, causes of action, suits, judgments, penalties, liabilities, debts, costs and expenses, including court costs and attorneys' fees (collectively, "Liabilities"), of any nature, kind or description, whether arising out of contract, tort, strict liability, misrepresentation, violation of applicable law and/or any cause whatsoever (including without limitation, claims for injuries to or death of any person, or damages to or loss of any property) of any person or entity directly or indirectly arising out of, caused by, in connection with, or resulting from any act or omission of any of the Indemnitees; provided, however, that the Association shall not indemnify the Indemnitees for any Liabilities arising as a result of the gross negligence or willful misconduct of Indemnitees. THE OBLIGATIONS OF THE ASSOCIATION UNDER THIS SECTION SHALL APPLY TO LIABILITIES EVEN IF SUCH LIABILITIES ARE CAUSED IN WHOLE OR IN PART BY THE SOLE, JOINT OR CONCURRENT NEGLIGENCE, FAULT OR STRICT LIABILITY OF ANY INDEMNITEE AND WHETHER OR NOT SUCH SOLE OR CONCURRENT NEGLIGENCE, FAULT OR STRICT LIABILITY WAS ACTIVE OR PASSIVE. The Indemnitees shall promptly advise the Association in writing of any action, administrative or legal proceeding or investigation as to which indemnification may apply, and Association, at Association's expense, shall assume on behalf of Indemnitees and conduct with due diligence and in good faith the defense thereof with competent trial counsel, provided, however, that Indemnitees shall have the right, at their own option, to be represented therein by advisory counsel of their own selection and at their own expense. In the event of the failure by Association to fully perform its obligations in accordance

with this Section, Indemnitees, at their option, and without relieving Association of its obligations hereunder, may so perform, but all Costs and expenses so incurred by Indemnitees in that event shall be reimbursed by the Association to Indemnitees, together with interest, on the same from the date any such expense was paid by Indemnitees until reimbursed by the Association, at the highest lawful rate of interest allowed under applicable usury laws of the State of Texas (or if no maximum rate is applicable, at the rate of eighteen percent [18%] per annum). The indemnification shall not be limited to damages, compensation or benefits payable under insurance Policies. It is agreed with respect to any legal limitations now or hereafter in effect and affecting the validity or enforceability of the indemnification obligations under this Section, such legal limitations are made a part of indemnification obligations and shall operate to amend the indemnification obligations to the minimum extent necessary to bring the provisions into conformity with the requirements of such limitations, and as so modified, the indemnification obligations shall continue in full force and effect.

12.12. Business Judgment Rule. Any act or thing done by any Director, Officer, or Committee Member taken in furtherance of the purposes of the corporation, and accomplished in conformity with the procedures set forth in the Declaration, Articles of Incorporation, the laws of the State of Texas, and/or these Bylaws, shall be reviewed under the standard of the Business Judgment Rule as established by the common law of Texas, and such act or thing done shall not be a breach of duty on the part of the Director, Officer, or Committee Member if they have been done within the exercise of their discretion and judgment. The Business Judgment Rule means that a Court shall not substitute its judgment for that of the Director, Officer or committee Member. A Court shall not re-examine the quality of the decisions made by the Director, Officer, or Committee Member by determining the reasonableness of the decision as long as the decision is made in good faith in what the Director, Officer, or Committee Member believes to be the best interest of the corporation.

12.13. Owner Conflict. If an Owner is involved in litigation with the Association as to a conflict of interpretation of the Declaration, the Articles of Incorporation, rules and regulations promulgated by the Association, or these Bylaws, and/or the amount of delinquent assessments, that Owner may not participate in any Association meeting or activity.

12.14. Dissolution. The corporation may be dissolved pursuant to Article 1396-6.01 of the Texas Non-Profit Corporation Act, or its successor statute. If the corporation is dissolved, the assets shall be dedicated to a public body or conveyed to a non-profit corporation with similar purposes.

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CERTIFICATION BY SECRETARY

I, the undersigned, _____, do hereby certify:

That I am the duly elected and acting Secretary of WATERHILL HOMES ON COMMERCE STREET COMMUNITY ASSOCIATION, INC., a Texas non-profit corporation, and that the foregoing "Bylaws of Waterhill Homes on Commerce Street Community Association, Inc." is a complete, true and correct statement of the bylaws of the Association as duly adopted by unanimous written consent of the Board of Directors of the Association dated the ____ day of _____, 20__.

BEFORE ME, on this day personally appeared _____, the Secretary of Waterhill Homes on Commerce Street Community Association, Inc. known by me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same for the purposes and consideration therein expressed and in the capacity therein and herein stated, and as the act and deed of said corporation.

Given under my hand and seal of office, this ____ day of _____, 20__.

_____, Secretary