

**BYLAWS
OF
COLLEGE STATION
GRAND OAKS HOMEOWNERS' ASSOCIATION, INC.**

These Bylaws govern the affairs of the **College Station Grand Oaks Homeowners' Association, Inc.** (the "Association"), a non-profit corporation organized under the laws of the State of Texas.

**ARTICLE 1
NAME, OFFICES AND PURPOSE**

- 1.01 **Definitions.** All capitalized words used in this Article, if not otherwise defined herein, shall have the same meaning given such words in the Declaration of Covenants, Conditions and Restrictions and Supplemental and Second Supplemental Declaration of Covenants, Conditions and Restrictions (collectively, the "Declaration") for Grand Oaks Subdivision, recorded in the Official Records of Brazos County, Texas.
- 1.02 **Name.** The name of the Association is College Station Grand Oaks Homeowners' Association, Inc. The Association is required by the Declaration to be named the "Grand Oaks Homeowners' Association". The Association shall file and maintain on file with the Secretary of State and Brazos County Clerk, assumed name affidavits for the name Grand Oaks Homeowners' Association.
- 1.03 **Principal Office.** The Association's principal office in Texas will be located at **111 FM 2818, Bryan, Texas, 77805**. The Association may have such other offices, in Texas or elsewhere, as the Board of Directors may determine. The Board of Directors may change the location of any office of the Association.
- 1.04 **Registered Office and Registered Agent.** The Association will maintain a registered office and registered agent in Texas. The registered office may, but need not, be identical with the Association's principal office in Texas. The Board of Directors may change the registered office and the registered agent as permitted in the Texas Non-Profit Corporation Act.
- 1.05 **Purpose.** The Association is the association described in the Declaration (defined in Section 2.01 below), as amended. An unincorporated, non-profit association called Grand Oaks Homeowners' Association (GOHA) existed prior to the incorporation of the Association and acted as the homeowner's association for the Grand Oaks subdivision located in College Station, Texas. The Association shall accept the transfer from GOHA of all of the assets, including, but not limited to, accumulated monthly assessments and maintenance reserve and assume the repayment of a note from GOHA to DWS Development, Inc. for reimbursement of the maintenance reserve as provided for in the Declaration.
- 1.06 **Owner Obligation.** All present or future owners, tenants, or any other person who might use the facilities of the Property in any manner, are subject to the regulations set forth in these Bylaws. The mere acquisition or rental of any of the Property or the mere act of occupancy of any of the Property will signify that these Bylaws are accepted, ratified, and will be strictly followed.

**ARTICLE 2
MEMBERS**

2.01 **Membership.** Any person on becoming an Owner of any lot ("Lot") of the Property shall automatically become a Member of this Association and be subject to these Bylaws. However, the holders of security interests in any Lot as security for the performance of an obligation shall not be a Member. All such memberships shall terminate without any formal Association action whenever such person ceases to own any Lot of the Property. Such termination shall not relieve or release any such former Owner from any liability or obligation incurred under or in any way connected with Association during the period of such ownership and membership in this Association, or impair any rights or remedies which the Board of Directors of the Association or others may have against such former Owner and Member arising out of or in any way connected with such ownership and membership and the covenants and obligations incident thereto. No certificates of stock shall be issued by the Association.

2.02 **Voting Rights.** The Association shall have two classes of voting membership.

2.02.01 **Class "A".** The Class "A" Members shall be all Owners, other than the Declarant. The Class "A" Members shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

2.02.02 **Class "B".** The Class "B" Member shall be Declarant. The Declarant shall be entitled to three (3) votes for each Lot it owns; provided however that Declarant shall cease to be a Class "B" Member and shall become a Class "A" Member entitled to one vote per Lot on the earlier happening of the following events:

2.02.02.01 when the total votes outstanding in the Class "A" membership equals the total votes outstanding in the Class "B" membership, or

2.02.02.02 December 31, 2000.

2.03 **No Cumulative Voting.** At all meetings of the Association, there shall be no cumulative voting. Prior to all meetings, the Board of Directors shall determine the total number of votes outstanding and entitled to vote by the Members.

2.04 **Suspension of Voting Rights.** In the event that any Member shall have failed, following thirty (30) days written notice from the Declarant or the Association, to pay any assessment under Article V of the Declaration ("Assessment") when due, in addition to any other remedy set forth in these Bylaws or Declaration, the voting rights of such Member shall be suspended until such time that the Member shall have paid its proportionate share of all Assessments in full. The suspension of a Member's voting rights under this paragraph shall occur notwithstanding the fact that the Member may, in good faith, be contesting the payment of the delinquent Assessments.

Any Member shall not be in "good standing" if such person or entity is : (a) in violation of any portion of the Covenants or any rule or regulation promulgated by the Board and/or any portion of the zoning ordinances in effect; (b) delinquent in the full, complete and timely payment of any monthly Assessment, special assessment, or any other fee, charge or fine which is levied, payable or collectible pursuant to the provisions of the Declaration, these Bylaws or any rule or regulation promulgated by the Board. The Board may make such rules and regulations, consistent with the terms of the Declaration and these Bylaws, as it deems advisable for: any meeting of Members; proof of membership in the Association; the status of good standing; evidence of right to vote; the

appointment and duties of examiners and inspectors of votes; the procedures for actual voting in person or by proxy; registration of Members for voting purposes; and such other matters concerning the conduct of meetings and voting as the Board shall deem fit.

- 2.05 **Transfer of Membership.** Membership in this Association is not transferable or assignable unless such Transfer is as a result of the sale of a Lot.
- 2.06 **Annual Meeting.** The first meeting of the Members shall be held within two (2) months of incorporation of the Association. The next annual meeting and all subsequent annual meetings shall be set by the Board of Directors to occur within forty-five (45) days after the close of the Association's fiscal year.
- 2.07 **Special Meetings.** Special meetings of the Members may be called by the President, the Board of Directors, or not less than one-tenth of the Members having voting rights.
- 2.08 **Place of Meeting.** The Board of Directors may designate any place, either within or without the State of Texas, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If no designation is made or if a special meeting be otherwise called, the place of meeting shall be the registered office of the Association in the State of Texas, but if all of the Members shall meet at any time and place, either within or without the State of Texas, and consent to the holding of a meeting, such meeting shall be valid without call or notice, and at such meeting any corporate action may be taken.
- 2.09 **Notice of Meetings.** Except as otherwise provided herein or in the Declaration, written notice stating the place, day and hour of any meeting of Members shall be delivered, either personally or by mail, to each Member entitled to vote at such meeting, not less than fourteen (14) nor more than sixty (60) days before the date of such meeting, by or at the direction of the President, or the Secretary, or the officers or persons calling the meeting. In case of a special meeting or when required by statute or by these Bylaws, the purpose for which the meeting is called shall be stated in the notice. If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail and addressed to the Member at his address as it appears on the records of the Association, which postage thereon prepaid. Notwithstanding the foregoing, any meeting, annual or special, may be held without notice on the condition that each Member consent in writing to said meeting as evidenced by each Member's signature on the minutes of such meeting.
- 2.10 **Informal Action by Members.** Any action required by law to be taken at a meeting of the Members, or any action which may be taken at a meeting of Members, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by at least two-thirds of the Members entitled to vote with respect to the subject matter thereof.
- 2.11 **Quorum.** Except as otherwise provided herein or in the Declaration, the presence in person or by proxy of a Majority of Members shall constitute a quorum at such meeting. A "Majority of Members" shall mean those Owners with at least fifty-one percent (51%) of the votes entitled to be cast. If a quorum is not present at any meeting of Members, a Majority of Members present may adjourn the meeting from time to time without further notice.
- 2.12 **Proxies.** At any meeting of Members, a member entitled to vote may vote by proxy executed in writing by the member or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven months from the date of execution, unless otherwise provided in the proxy. Proxies must be filed with the Secretary before the appointed time of each meeting.
- 2.13 **Manner of Acting.** Except as otherwise provided herein or in the Declaration, the votes of a Majority of Members on a matter to be voted upon by the Members present or represented by proxy at a

meeting at which a quorum is present shall be necessary for the adoption thereof unless a greater proportion is required by law, the Declaration or by these bylaws.

- 2.14 **Voting by Mail.** Where Directors or officers are to be elected by Members or any class or classes of Members, such election may be conducted by mail in such manner as the Board of Directors shall determine.
- 2.15 **Conduct of Meetings.** The President (or, in the absence of the President, a Vice-President) shall preside over all meetings of the Association, and the Secretary or an Assistant Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring thereat.

ARTICLE 3 BOARD OF DIRECTORS

- 3.01 **Management of Association.** The Board of Directors will manage affairs of the Association.
- 3.02 **Powers.** The Board of Directors shall be responsible for the affairs of the Association and shall have all the powers and duties necessary for the administration of the Association's affairs and, as provided by law, may do all acts and things as are not by the Declaration, Articles, or these Bylaws directed to be done and exercised exclusively by the Members. In addition to the duties imposed by these Bylaws or by any resolution of the Association that may be hereafter adopted, the Board of Directors shall have the power to and be responsible for the following, in way of explanation, but not limitation:
- 3.02.01 preparation and adoption of an annual budget;
 - 3.02.02 establishing the means and methods of collecting the monthly assessments;
 - 3.02.03 providing for the operation, care, upkeep, and maintenance of all the Common Properties;
 - 3.02.04 designating, hiring, and dismissing the personnel necessary for the maintenance, operation, repair, and replacement of the Association, its property, and the Common Properties and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and material to be used by such personnel in the performance of their duties;
 - 3.02.05 collecting the assessments, depositing the proceeds thereof in a depository which it shall approve, and using the proceeds to administer the Association;
 - 3.02.06 making and amending rules and regulations;
 - 3.02.07 opening of bank accounts and/or banking-type accounts on behalf of the Association and designating the signatories required;
 - 3.02.08 making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Properties in accordance with the other provisions of the Declaration and these Bylaws after damage or destruction by fire or other casualty;
 - 3.02.09 enforcing by legal means the provisions of the Declaration, these Bylaws, and the rules and regulations adopted by it and bringing any proceedings which may be instituted on behalf of or against the Members concerning the Association;
 - 3.02.10 obtaining and carrying insurance against casualties and liabilities, as provided in the Declaration, and paying the premium cost thereof;

- 3.02.11 paying the cost of all services rendered to the Association or its Members;
- 3.02.12 keeping books with reasonably detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred. The said books and vouchers accrediting the entries thereupon shall be available for examination by the Members and bona-fide mortgagees, their respective duly authorized agents, accountants, or attorneys, during general business hours on working days at the time and in a manner that shall be set and announced by the Board of Directors for the general knowledge of the Members;
- 3.02.13 filing all requisite forms, documents and information with any taxing authorities;
- 3.02.14 suspend the enjoyment rights of any Member for periods during which any assessment remains unpaid or for periods not to exceed thirty (30) days for any infraction of the Association's public rules and regulations; and
- 3.02.15 fixing the monthly assessment for any year at an amount less than the amount of the current monthly assessment, after consideration of current maintenance costs and further needs of the Association.
- 3.03 **Number, Qualifications, and Tenure of Directors.** The number of Directors will be a number determined by the Members at the first annual meeting that is not less than three (3) and not greater than nine (9). Except for the Directors elected by the Members at the first meeting of Members who shall serve until the third annual meeting of Members, Directors shall be elected for one year terms of office and shall serve until their respective successors are elected and qualified. Directors must be Members of the Association.
- 3.04 **Electing Directors.** A person who meets the qualifications for Director and who has been duly nominated may be elected as a Director. Each Director will be elected by the vote of a Majority of Members. Voting shall be by secret, written ballot. A Director may be elected to succeed himself or herself as Director.
- 3.05 **Vacancies.** The Members will fill any Director position to be filled due to an increase in the number of Directors by the affirmative vote of a Majority of Members at an annual meeting or special meeting called for such purpose. A Director selected to fill a vacancy will serve for the unexpired term of his or her predecessor in office.
- Directors shall be elected for two year terms of office and shall serve until their respective successors are elected and qualified. Any vacancy which occurs in the Board, by reason of death, resignation, removal, or otherwise, may be filled at any meeting of the Board by the affirmative vote of a majority of the remaining Directors. Any Director elected to fill a vacancy shall serve as such until the expiration of the term of the Director whose position he or she was elected to fill.
- 3.06 **Annual Meeting.** The annual meeting of the Board of Directors may be held without any notice other than that provided in the Bylaws. The annual Board of Directors meeting will be held within forty-five (45) days after the annual meeting of Members at a place designated by the Board of Directors.
- 3.07 **Regular Meetings.** The Board of Directors may provide for regular meetings by resolution stating the time and place of such meetings, provided at least one (1) such meeting shall occur during each quarter of the fiscal year. The meetings may be held inside or outside Texas, and will be held at the Association's registered office in Texas if the resolution does not specify the location of the meetings. No notice of regular Board of Directors meetings is required other than a Board of Directors resolution stating the time and place of the meetings.

- 3.08 **Special Meetings.** Special Board of Director meetings may be called by, or at the request of, the President or any two (2) Directors. A person or persons authorized to call special meetings of the Board of Directors may fix any place within Texas as the place for holding a special meeting. The person or persons calling a special meeting will inform the Secretary of the Association of the information to be included in the notice of the meeting. The Secretary of the Association will give notice to the Directors as these Bylaws require.
- 3.09 **Notice.** Written or printed notice of any special meeting of the Board of Directors will be delivered to each Director not less than seven (7), nor more than sixty (60) days before the date of the meeting. The notice will state the place, day, and time of the meeting, who called it, and the purpose or purposes for which it is called.
- 3.10 **Quorum.** A majority of the number of Directors then in office constitutes a quorum for transacting business at any Board of Directors meeting. The Directors present at a duly called or held meeting at which a quorum is present may continue to transact business even if enough Directors leave the meeting so that less than a quorum remains. However, no action may be approved without the vote of at least a majority of the number of Directors required for a quorum. If a quorum is never present at any time during a meeting, a majority of the Directors present may adjourn and reconvene the meeting once without further notice.
- 3.11 **Duties of Directors.** Directors will discharge their duties in good faith, with ordinary care, and in a manner they reasonably believe to be in the Association's best interest. In this context, the term "ordinary care" means the care that ordinarily prudent persons in similar positions would exercise under similar circumstances. In discharging any duty imposed or power conferred on Directors, Directors may, in good faith, rely on information, opinions, reports, or statements, including financial statements and other financial data, concerning the Association or another person that has been prepared or presented by a variety of persons, including officers and employees of the Association, professional advisors or experts such as accountants or legal counsel. A Director is not relying in good faith if such Director has knowledge concerning a matter in question that renders reliance unwarranted. Directors are not deemed to have the duties of trustees of a trust with respect to the Association or with respect to any property held or administered by the Association, including property that may be subject to restrictions imposed by the donor or transferor of the property.
- 3.12 **Duty to Avoid Improper Distributions.** Directors who vote for or assent to improper distributions are jointly and severally liable to the Association for the value of improperly distributed assets, to the extent that, as a result of the improper distribution or distributions, the Association lacks sufficient assets to pay its debts, obligations, and liabilities. Any distribution made when the Association is insolvent, other than in payment of corporate debts, or any distribution that would render the Association insolvent, is an improper distribution. A distribution made during liquidation without payment and discharge of or provision for payment and discharge of all known debts, obligations, and liabilities is also improper. Directors present at a Board of Directors meeting at which the improper action is taken are presumed to have assented, unless they dissent in writing. The written dissent must be filed with the Secretary of the Association before adjournment of the meeting in question or mailed to the Secretary by registered mail immediately after adjournment.

A Director is not liable if, in voting for or assenting to a distribution, the Director (1) relies in good faith and with ordinary care on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by one or more officers or employees of the Association, legal counsel, public accountants, or other persons as to matters the Director reasonably believes are within the person's professional or expert competence; (2) while acting in good faith and with ordinary care, considers the Association's assets to be at least that of their book value; or (3) in determining whether the Association made adequate provisions for paying, satisfying or discharging all of its liabilities and obligations, relied in good faith and with ordinary care on financial statements

or other information concerning a person who was or became contractually obligated to satisfy or discharge some or all of these liabilities or obligations. Furthermore, Directors are protected from liability if, in exercising ordinary care, they acted in good faith and in reliance on the written opinion of an attorney for the Association.

Directors held liable for an improper distribution are entitled to contribution from persons who accepted or received the improper distribution knowing they were improper. Contribution is in proportion to the amount received by each such person.

- 3.13 **Interested Directors.** Contracts or transactions between Directors or officers who have a financial interest in the matter are not void or voidable solely for that reason. Nor are they void or voidable solely because the Director or officer is present at or participates in the meeting that authorizes the contract or transaction, or solely because the interested party's votes are counted for the purpose.
- 3.14 **Actions of Board of Directors.** The Board of Directors will try to act by consensus. However, if a consensus is not available, the vote of a majority of Directors present and voting at a meeting at which a quorum is present is enough to constitute the act of the Board of Directors, unless the act of a greater number is required by law or by some other provision of these Bylaws. A Director who is present at a meeting and abstains from a vote is considered to be present and voting for the purpose of determining the Board of Directors' decision. For the purpose of determining the decision of the Board of Directors, a Director who is represented by a proxy in a vote is considered present.
- 3.15 **Proxies.** A Director may vote by proxy. All proxies must be in writing, must bear the signature of the Director giving the proxy, and must bear the date on which the proxy was executed by the Director. No proxy is valid after three (3) months from the date of its execution.
- 3.16 **Compensation.** Unless otherwise approved in advance by a Majority of Members present at a regular or special meeting of the Association, no Director shall receive compensation for their services. The Board of Directors may adopt a resolution providing for paying Directors a fixed sum and expenses of attendance, if any, for attending each Board of Directors meeting. Any compensation that the Association pays to a Director will be reasonable and commensurate with the services performed.
- 3.17 **Removing Directors.** The Members may vote to remove a Director at any time, without cause. A meeting to consider removing a Director may be called and noticed following the procedures provided in these Bylaws for a special meeting of the Members. The notice of the meeting will state that the issue of removing the Director will be on the agenda.

At the meeting, the Director may present evidence of why he or she should not be removed and may be represented by an attorney at and before the meeting. Also, at the meeting, the Association will consider possible arrangements for resolving the problems that are in the mutual interest of the Association and the Director.

A Director may be removed by the affirmative vote of two-thirds ($\frac{2}{3}$) of the Members represented at the meeting called for that purpose, provided a quorum is present.

- 3.18 **Conduct of Meetings.** The President (or, in the President's absence, a Vice-President) shall preside over all meetings of the Board of Directors, and the Secretary or an Assistant Secretary shall keep a minute book of the Board of Directors, recording therein all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meetings.
- 3.19 **Rights of the Association.** With respect to the Common Properties, and in accordance with the Declaration and to the maximum extent permitted by applicable law, the Association shall have the right to contract with any person for the performance of various duties and functions.

**ARTICLE 4
OFFICERS**

- 4.01 **Officer Positions.** The Association's officers will be a President, a Secretary, and a Treasurer. The Board of Directors may create additional officer positions, define the authority and duties of each such position, and elect or appoint persons to fill the positions. The same person may hold any two or more offices, except for President and Secretary.
- 4.02 **Election and Term of Office.** The Association's officers will be elected annually by the Board of Directors at the annual Board of Directors meeting. If officers are not elected at this time, they will be elected as soon thereafter as possible. Each officer will hold office until a successor is duly selected and qualified. An officer may be elected to succeed himself or herself in the same office.
- 4.03 **Removal.** Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors with or without good cause.
- 4.04 **Vacancies.** The Board of Directors may select a person to fill a vacancy in any office for the unexpired portion of the officer's term.
- 4.05 **President.** The President is the Association's chief executive officer. The President will supervise and control all the Association's business and affairs and will preside at all meetings of the Board of Directors. The President may execute any deeds, mortgages, bonds, contracts, or other instruments that the Board of Directors authorizes to be executed. However, the President may not execute instruments on the Association's behalf if this power is expressly delegated to another officer or agent of the Association by the Board of Directors, these Bylaws, or statute. The President will perform other duties prescribed by the Board of Directors and all duties incident to the office of President.
- 4.06 **Treasurer.** The Treasurer will:
- 4.06.01 Have charge and custody of, and be responsible for, all the Association's funds and securities;
 - 4.06.02 Receive and give receipts for moneys due and payable to the Association from any source;
 - 4.06.03 Deposit all moneys in the Association's name in banks, trust companies, or other depositories as these Bylaws provide or as the Board of Directors or President directs;
 - 4.06.04 Write checks and disburse funds to discharge the Association's obligations; however, funds may not be drawn from the Association or its accounts greater than One Thousand Dollars (\$1,000.00) without the signature of the President in addition to that of the Treasurer;
 - 4.06.05 Maintain the Association's financial books and records;
 - 4.06.06 Prepare financial reports at least annually;
 - 4.06.07 Perform other duties as assigned by the President or the Board of Directors;
 - 4.06.08 If the Board of Directors requires, give a bond for faithfully discharging the duties of Treasurer in a sum and with a surety as determined by the Board of Directors; and
 - 4.06.09 Perform all of the duties incident to the office of Treasurer.

4.07 **Secretary.** The Secretary will:

- 4.07.01 Give all notices as provided in the Bylaws, Declaration or as required by law;
- 4.07.02 Take minutes of the meetings of the Members and the Board of Directors and keep the minutes as part of the corporate records;
- 4.07.03 Maintain custody of the corporate records and seal;
- 4.07.04 Affix the corporate seal to all documents as authorized;
- 4.07.05 Keep a register of the mailing address of each Director, officer and Member of the Association;
- 4.07.06 Perform the duties as assigned by the President or the Board of Directors; and
- 4.07.07 Perform all duties incident to the office of Secretary.

**ARTICLE 5
TRANSACTIONS OF ASSOCIATION**

- 5.01 **Contracts.** The Board of Directors may authorize any officer or agent of the Association to enter into a contract or execute and deliver any instrument in the name of, and on behalf of, the Association. This authority may be limited to a specific contract(s) or instrument(s), or it may extend to any number and type of possible contract(s) or instrument(s).
- 5.02 **Agreements, Contracts, Deeds, Leases, Checks.** All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least one (1) officer or by such other person or persons as may be designated by resolution of the Board of Directors.
- 5.03 **Deposits.** All the Association's funds will be deposited to the credit of the Association in banks, trust companies, or other depositories that the Board of Directors selects.
- 5.04 **Gifts.** The Board of Directors may accept, on the Association's behalf, any contribution, gift, bequest, or devise for the general purposes or for any special purpose of the Association. The Board of Directors may make gifts and give charitable contributions not prohibited by these Bylaws, the Articles of Incorporation, Declaration, state law, and provisions set out in federal tax law that must be complied with to maintain the Association's federal and state tax exempt status.
- 5.05 **Potential Conflicts of Interest.** The Association may not make any loan to a Director or officer of the Association. A Director or officer of the Association may lend money to, and otherwise transact business with, the Association except as otherwise provided by these Bylaws, the Articles of Incorporation, and applicable law. Such a person transacting business with the Association has the same rights and obligations relating to those matters as other persons transacting business with the Association. The Association may not borrow money from, or otherwise transact business with, a Director or officer of the Association unless the transaction is described fully in a legally binding instrument and is in the Association's best interest. The Association may not borrow money from, or otherwise transact business with, a Director or officer of the Association without full disclosure of all relevant facts and without the Board of Directors' approval, not including the vote of any person having a personal interest in the transaction.
- 5.06 **Prohibited Acts.** As long as the Association exists, and except with the Board of Directors' prior approval, no Director or officer of the Association may:

- 5.06.01 Do any act in violation of these Bylaws, Declaration or a binding obligation of the Association;
- 5.06.02 Do any act with the intention of harming the Association or any of its operations;
- 5.06.03 Do any act that would make it impossible or unnecessarily difficult to carry on the Association's intended or ordinary business;
- 5.06.04 Receive an improper personal benefit from the operation of the Association;
- 5.06.05 Use the Association's assets, directly or indirectly, for any purpose other than carrying on the Association's business;
- 5.06.06 Wrongfully transfer or dispose of Association property, including intangible property;
- 5.06.07 Use the Association's name (or any substantially similar name) or any trademark or trade name adopted by the Association, except on behalf of the Association in the ordinary course of its business; or
- 5.06.08 Disclose any of the Association's business practices, trade secrets, or any other information not generally known to the business community to any person not authorized to receive it.

**ARTICLE 6
BOOKS AND RECORDS**

- 6.01 **Required Books and Records.** The Association will keep correct and complete books and records of account. The books and records include:
 - 6.01.01 A file-endorsed copy of all documents filed with the Texas Secretary of State relating to the Association, including but not limited to the Articles of Incorporation, and any Articles of Amendment, restated Articles, Articles of Merger, Articles of Consolidation, and Statement of Change of Registered Office or Registered Agent;
 - 6.01.02 A copy of all bylaws, including these Bylaws, and any amended versions or amendments to them;
 - 6.01.03 Minutes of the proceedings of the Board of Directors;
 - 6.01.04 A list of the names and addresses of the Members, Directors and officers of the Association;
 - 6.01.05 Annual financial reports containing:
 - 6.01.05.01 an Income Statement reflecting all income and expense activity for the preceding twelve (12) months on a cash or accrual basis, as the Board may prescribe;
 - 6.01.05.02 an Expense and Disbursement Statement reflecting all receipt and disbursement activity for the preceding twelve (12) months on a cash or accrual basis, as the Board may prescribe;
 - 6.01.05.03 an Account Status Report reflecting the status of all accounts in an actual versus approved budget format with a Budget Report reflecting any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating reserves or ten (10%) percent of a major

category (as distinct from a specific line item in an expanded chart of accounts); and

6.01.05.04 a Balance Sheet as of the last day of the Association's Fiscal Year and an Operating Statement for said Fiscal Year which shall be made available for distribution within ninety (90) days after the close of a Fiscal Year.

6.01.06 All rulings, letters, and other documents relating to the Association's federal, state, and local tax status; and

6.01.07 The Association's federal, state, and local tax information or income-tax returns for each of the Association's three (3) most recent tax years.

6.02 **Inspection and Copying.** Any Director, Member or officer of the Association may inspect and receive copies of all the corporate books and records required to be kept under the Bylaws at reasonable times. Such a person may by written request, inspect or receive copies if such person has a proper purpose related to such person's interest in the Association. Such person may do so through such person's attorney or other duly authorized representative. The inspection may take place at a reasonable time, no later than five (5) working days after the Association receives a proper written request. The Board of Directors may establish reasonable copying fees, which may cover the cost of materials and labor. The Board of Directors may establish reasonable rules with respect to:

6.02.01 hours and days that such inspection may be made;

6.02.02 notice to be given to the custodian of the records by the Member desiring inspection; and

6.02.03 maintenance of confidentiality with respect to records.

ARTICLE 7 FISCAL YEAR

The Association's fiscal year of the Association will begin on the first day of January and end on the last day in December in each year.

ARTICLE 8 INDEMNIFICATION

8.01 **Indemnification.** To the full extent permitted by applicable law, no Director of this Association shall be liable to this Association or its Members for monetary damages for an act or omission in such Director's capacity as a director of this Association, except that this Article Eight does not eliminate or limit the liability of a Director of this Association for:

8.01.01 a breach of such Director's duty of loyalty to this Association or its Members;

8.01.02 an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law;

8.01.03 a transaction from which such Director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of such director's office;

8.01.04 an act or omission for which the liability of such Director is expressly provided for by statute; or

8.01.05 an act related to an unlawful stock repurchase or payment of a dividend.

Any repeal or amendment of this Article by the Members of this Association shall be prospective only, and shall not adversely affect any limitation on the personal liability of a Director of this Association existing at the time of such repeal or amendment. In addition to the circumstances in which a Director of this Association is not personally liable as set forth in the foregoing provisions of this Article Eight, a director shall not be liable to the full extent permitted by any Amendment to the Texas Miscellaneous Corporation Laws Act or the Texas Non-Profit Corporation Act hereafter enacted that further limits the liability of a Director.

To the full extent permitted by applicable law, the Association shall indemnify any Director or officer against judgments, penalties (including excise and similar taxes), fines settlements and reasonable expenses (including court costs and attorney's fees) actually incurred by any such person who was, is or is threatened to be made a named defendant or respondent in a proceeding because the person is or was a director or officer and shall advance to such person such reasonable expenses as are incurred by him in connection therewith. The rights of Directors and officers set forth in this Article shall not be exclusive of any other right which Directors or officers may have or hereafter acquire relating to the subject matter hereof. As used in this Article, the terms "Director" and "officer" shall mean any person who is or was a Director or officer of the Association and any person who, while a director or officer of the Association, is or was serving at the request of the Association as a Director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise. As used in this Article, the term "proceeding" means any threatened, pending or completed action, suit or proceeding, whether civil, criminal administrative, arbitratve or investigative, any appeal in any such action, suit or proceeding and any inquiry or investigation that could lead to such an action, suit or proceeding.

ARTICLE 9 NOTICES

- 9.01 **Notice by Mail or Telegram.** Any notice required or permitted by these Bylaws to be given to a Director or officer may be given by mail, facsimile, or telegram.
- 9.02 **Signed Waiver of Notice.** Whenever any notice is required by law or under the Articles of Incorporation or these Bylaws, a written waiver signed by the person entitled to receive such notice is considered the equivalent to giving the required notice. A waiver of notice is effective whether signed before or after the time stated in the notice being waived.
- 9.03 **Waiving Notice by Attendance.** A person's attendance at a meeting constitutes waiver of notice of the meeting unless the person attends for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

ARTICLE 10 SPECIAL PROCEDURES CONCERNING MEETINGS

- 10.01 **Meeting by Telephone.** The Board of Directors of the Association may hold a meeting by telephone conference-call procedures. In all meetings held by telephone, matters must be arranged in such a manner that all persons participating in the meeting can hear each other; the notice of a meeting by telephone conference must state the fact that the meeting will be held by telephone as well as all other matters required to be included in the notice; and a person's participation in a conference-call meeting constitutes such person's presence at the meeting.
- 10.02 **Decision Without Meeting.** Any decision required or permitted to be made at a meeting of the Board of Directors may be made without a meeting. A decision without a meeting may be made if

a written consent to the decision is signed by all persons entitled to vote on the matter. The original signed consents will be placed in the Association minute book and kept with the corporate records.

Furthermore, in accordance with the Articles of Incorporation, action may be taken without a meeting when there are signed written consents by the number of Directors whose votes would be necessary to take action at a meeting at which all such persons entitled to vote were present and voted. Each written consent must be signed and bear the date of signature of the person signing it. A telegram, telecopy, telex, cablegram, or similar transmission by a Director, or a photographic, facsimile, or similar reproduction of a signed writing, will be treated as an original being signed by the Director.

Consents must be delivered to the Association. A consent signed by fewer than all Directors is not effective to take the intended action unless the required number of consents are delivered to the Association within sixty (60) days after the date that the earliest-dated consent was delivered to the Association. Delivery must be made by hand, or by certified or registered to mail, return receipt requested. The delivery may be made to the Association's registered office, registered agent, principal place of business, transfer agent, registrar, exchange agent, or an officer or agent having custody of books in which the relevant proceedings are recorded. If the delivery is made to the Association's principal place of business, the consent must be addressed to the President.

The Association will give prompt notice of the action taken to the persons who do not sign consents. If the action taken requires documents to be filed with the Secretary of State, the filed documents will indicate that these written consent procedures were followed to authorize the action and filing.

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

- 10.03.01 An instrument revoking the proxy is delivered to the Secretary or other designated officer;
- 10.03.02 The proxy authority expires under the proxy's terms; or
- 10.03.03 The proxy authority expires under the terms of these Bylaws.

ARTICLE 11 AMENDING BYLAWS

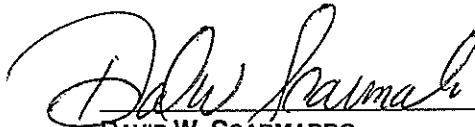
These Bylaws may be altered, amended, or repealed, and new bylaws may be adopted by a vote of two-thirds of the Members, at an annual meeting or special meeting called for such purpose. The notice of any meeting at which these Bylaws are altered, amended, or repealed, or at which new bylaws are adopted will include the text of the proposed bylaw provisions as well as the text of any existing provisions proposed to be altered, amended, or repealed. Alternatively, the notice may include a fair summary of those provisions. In no event shall the Bylaws be amended to conflict with the Declaration.

**ARTICLE 12
MISCELLANEOUS PROVISIONS**


- 12.01 **Parliamentary Rules.** Except as may be modified by a Board of Directors' resolution establishing modified procedures, Robert's Rules of Order (current edition) shall govern the conduct of the Association proceedings when not in conflict with Texas law, the Articles of Incorporation, the Declaration, or these Bylaws.
- 12.02 **Legal Authorities Governing Construction of Bylaws.** These Bylaws will be construed under Texas law. All references in these Bylaws to statutes, regulations, or other sources of legal authority will refer to the authorities cited, or their successors, as they may be amended from time to time.
- 12.03 **Legal Construction.** To the greatest extent possible, these Bylaws shall be construed to conform to all legal requirements and all requirements for obtaining and maintaining all tax exemptions that may be available to nonprofit corporations. If any bylaw provision is held invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability will not affect any other provision, and the Bylaws will be construed as if they had not included the invalid, illegal, or unenforceable provision.
- 12.04 **Headings.** The headings used in the Bylaws are for convenience and may not be considered in construing the Bylaws.
- 12.05 **Number.** All singular words include the plural, and all plural words include singular.
- 12.06 **Seal.** The Board of Directors may provide for a corporate seal.
- 12.07 **Conflict with Declaration.** In the event of any conflict or ambiguity between these Bylaws and the Declaration and unless otherwise required by law, the terms and conditions of the Declaration shall control.
- 12.08 **Parties Bound.** The Bylaws will bind and inure to the benefit of the Directors, officers, employees, and agents of the Association and their respective heirs, executors, administrators, legal representatives, successors, and assigns except as the Bylaws otherwise provide.

We certify that we are the duly elected and acting initial Directors of **College Station Grand Oaks Homeowners' Association, Inc.**, a non-profit corporation organized under the laws of the State of Texas, and that we assent to the foregoing Bylaws and hereby adopt them as the Bylaws of the Association.


DATED: August _____, 2000.



DAVID W. SCARMARDO



GREG SCARMARDO



MARK SCARMARDO