

# EXHIBIT "B"

## BY-LAWS of THE VILLAGE OF STONEWOOD OWNERS' ASSOCIATION, INC. A Texas Non-Profit Corporation

These By-Laws (referred to as the "By-Laws") govern the affairs of THE VILLAGE OF STONEWOOD Owners' Association, Inc. a non-profit corporation (referred to as the "Association") organized under the Texas Non-Profit Corporation Act (referred to as the "Act"). All terms capitalized herein shall have the same meaning as in the Condominium Declaration and Master Deed for THE VILLAGE OF STONEWOOD (the "Declaration") unless otherwise herein provided.

### ARTICLE I OFFICES

#### SECTION 1.1. Registered Office.

The Association Shall comply with the requirements of the Act and maintain a registered office and registered agent in Texas. The registered office may, but need not, be identical with the Association's principal office in Texas. The registered office of the Association in the State of Texas shall be maintained at 100 Stonewood Dr. Lufkin, Texas 75901, and the name of the Registered Agent within the State of Texas shall be Darwin L Storer.

#### SECTION 1.2. Other Offices.

The Association may also have offices at such other places as the Board of Directors may from time to time determine or the business of the Association may require. The Board of Directors may change the location of any office of the Association as provided in the Act.

### ARTICLE II MEMBERS

#### SECTION 2.1. Class's of Membership.

The Association shall have one (1) class of members. Any person upon becoming an Owner of a Unit automatically and concurrently therewith shall become a Member of the Association. The execution of a purchase agreement shall not give any rights of membership. Title must be conveyed by Deed in order to qualify as the Owner. The declarant shall be a Member of the Association as long as Declarant owns any Unit. Membership shall be appurtenant to and shall run with the property interest which qualifies the Owner thereof for membership, and membership may not be severed from, or in any way transferred, pledged, mortgaged, or alienated except together with the title to, such property interest.

#### SECTION 2.2. Member in Good Standing.

A Member of the Association shall be considered to be a Member in good standing and eligible to vote, if such Member:

- A. Has, not less than seven (7) days prior to the taking of any vote by the Association, fully paid all assessments or other charges levied by the Association against such Members' Unit and then due and payable, as such assessments or charges are provided for in the Declaration;
- B. Does not have a lien filed by the Association against his Unit; and
- C. Has discharged any and all other obligations of the Association as may be required of the Members hereunder or under the Declaration.

The Board shall have sole responsibility and authority for determining the good standing status of any Member at any time, and shall make such determination with respect to all Members prior to a vote being taken by the Association on any matter. The Board shall have the right and authority, in its sole discretion, to waive either (1) the seven (7) days prior payment requirement established herein (provided, however, that the Board shall require that such payment be made prior to the time such vote is taken), or (2) any requirement imposed under Section C. above; provided, however, that the Board, in its discretion, may determine that extenuating circumstances exist. Any Member not conforming with the provisions of this Section shall be declared by the Board not to be a Member in good standing and, unless the provision violated can be and is specifically waived by the Board in writing prior to any particular vote being taken, such Member shall be disqualified from voting on all matters before the Association until such time as such Member attains good standing status and same is so declared by the Board.

#### SECTION 2.3. Voting Rights.

The right to cast votes and the number of votes which may be cast for election of the Board, and on all other matters to be voted on by the Members, shall be calculated as follows:

- A. The total number of votes for all Unit Owners shall be one hundred (100), and shall be divided among the respective Unit Owners, in accordance with their respective percentages of ownership interest in the Common Elements. The Declarant may exercise the voting rights with respect to Units owned by it.

B. Any property interest entitling the Owner thereof to vote as herein provided held jointly or in common by more than one Owner shall require that such Owners thereof designate, in writing, a single Owner shall be entitled to cast such vote and no other person shall be authorized to vote on behalf of such property interest. A copy of such written designation shall be filed with the Board before any such vote may be cast, and, upon the failure of the Owners thereof to file such designation, such vote shall neither be cast nor counted for any purpose whatsoever.

C. The membership of a person or entity in the Association shall terminate automatically whenever such person or entity ceases to own a Unit; however, such termination shall not release or relieve any such person or entity from any liability or obligation incurred under or in any way connected with the Association or the Declaration during the period of ownership of the Unit, nor impair any rights or remedies which the Association or any other party may have with regard to such person or entity.

### **ARTICLE III MEETINGS OF MEMBERS**

#### **SECTION 3.1. Annual Meeting.**

Commencing in the calendar year 2006, the annual meeting of the Members for the election of Directors and for the transaction of such other business as may properly come before the meeting, shall be held in January of each year, at the hour specified and place designated by the Board of Directors in the Notice of the meeting. Failure to hold any annual meeting or meetings shall not work a forfeiture or dissolution of the Association. The Declarant shall have the sole right to elect two (2) of the three (3) Directors and the other Owners shall have the right to elect one (1) of the Directors until the earlier of the following: (a) three (3) years from the date of conveyance of the first Unit in the Condominium Project; or (b) the one hundred twentieth (120th) day after the conveyance of seventy-five percent (75%) of the units by the Declarant. Upon this date, the Owners and Declarant shall have same right, based on the percentages of value of their Units, to elect all three (3) Directors.

#### **SECTION 3.2. First Meeting.**

The first meeting of Members of the Association shall be held not later than the one hundred twentieth (120th) day after Declarant's conveyance of fifty percent (50%) of the Units. Until the first meeting of the Members of the Association, the affairs of the Association shall be managed by the first Board of Directors named in the Articles of Incorporation of the Association, or their replacements or as otherwise set out in the Declaration or the By-laws. At such first meeting the Owners, other than Declarant shall elect one Director and the Declarant shall elect the other two (2) Directors.

#### **SECTION 3.3. Special Meetings.**

Except as otherwise provided by law, or by the Articles of Incorporation, special meetings of the Members may be called by the President, any Vice-President, a majority of the Directors, or upon the request in writing of Members having ten percent (10%) of all votes of the membership. Business transacted at any special meeting of the Members shall be limited to the purpose or purposes stated in the notice of such meeting given in accordance with the terms of Section: 3.4. of these By-Laws.

#### **SECTION 3.4. Telephonic and Similar Meetings.**

Subject to the provisions required or permitted by the Articles of Incorporation, these By-Laws or the laws of the State of Texas, for notice of meetings, Members, members of the Board of Directors, or members of any committee designated by the Board of Directors, may participate in and hold any regular or special meeting required or permitted under these By-Laws 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 a 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.

#### **SECTION 3.5. Notice of Meeting or Waiver.**

Written or printed notice of each meeting of Members, stating the place, day and hour of any meeting and, in the case of a special Members' meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of such meeting by or at the direction of the President, the Secretary, or the officers or the persons calling the meeting, to each Member of record entitled to vote thereat. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the Member at his address as it appears on the books of the Association. The notice will also be posted on the community bulletin board for a period of thirty (30) days prior to the meeting. Additional or earlier notice shall be given when

required by law. The signing by a Member of a written waiver of notice of any Members' meeting, whether before or after the time stated in the waiver, shall be equivalent to receipt by him of all notice required to be given with respect to such meeting. Attendance by a Member at a Members' meeting, in person or by proxy, shall constitute waiver of notice of such meeting. No notice of any adjournment of any meeting shall be required.

### **SECTION 3.6. Fixing Record Date.**

The Board of Directors may fix, in advance, a date, not exceeding sixty (60) days preceding the date of any meeting of Members, as a record date for the determination of the Members entitled to notice of, to vote at, or entitled to the exercise of any right regarding any other lawful action at any such meeting, and any adjournment thereof. Only such Members as shall be Members of record on the date so fixed shall be entitled to such notice of, and to vote at, or to exercise such rights, as the case may be, at any such meeting and any adjournment thereof.

### **SECTION 3.7. Place of Meeting.**

All meetings of Members for the election of Directors shall be held within the limits of the project at such place as shall be designated from time to time by the Board of Directors and stated in the Notice of the meeting.

### **SECTION 3.8. Voting List.**

After fixing a record date for the notice of a meeting, and at least ten (10) days before every meeting, an Officer of the Association shall prepare a complete list of all the names of Members entitled to vote at such meeting, or any adjournment thereof; arranged in alphabetical order, with the address of the Members. Such list shall be open to examination by any Member for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting. Such notice will be posted online on the ASSOCIATION web page and on the Notice Board above the Mail Box's. The list shall also be produced and kept at the time and place of the meeting during the whole term thereof, and may be inspected by any Member who is present. Not later than two (2) business days after the date notice is given of a meeting for which a list was prepared and continuing through the meeting, the list of voting Members must be available for inspection by any Member entitled to vote at the meeting for the purpose of communicating with other Members concerning the meeting and the items to be discussed thereat.

### **SECTION 3.9. Quorum and Officers.**

Except as otherwise provided by law or by the Declaration, the Articles of Incorporation or by these By-Laws, the presence of Members in good standing in person, or by valid proxies, entitled to cast forty percent (40%) of the votes of the membership shall constitute a quorum at a meeting of Members, but the Members in good standing present at any meeting, although representing less than a quorum, may from time to time adjourn the meeting to some other day and hour, without notice other than announcement at the meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted at the meeting as originally notified. The Members in good standing present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum. At all meetings of Members, all questions, except those expressly governed by statute, the Articles of Incorporation, these By-Laws or the Declaration shall be decided by a simple majority of the votes of the Members in good standing present in person or by proxy at a meeting duly called with a quorum present. The Chairman of the Board shall preside at, and the Secretary shall keep the records of, each meeting of Members, and in the absence of either such Officer, such duties shall be performed by any other Officer authorized by these By-Laws or any person appointed by Resolution duly adopted at the meeting.

### **SECTION 3.10. Proxies.**

A Member may vote either in person, or by proxy executed in writing by the Member or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

### **SECTION 3.11. Balloting.**

Voting may be by voice vote or by show of hands, but upon the demand of any Member, the vote upon any question before the meeting shall be by ballot. At each meeting, "Inspectors of Election" ("Inspectors") may be appointed by the presiding Officer of the meeting, and at any meeting for the election of Directors, Inspectors shall be so appointed on the demand of any Member present or represented by proxy and entitled to vote in such election of Directors. No Director or candidate for the office of Director shall be appointed as such an Inspector.

Directors shall be elected by a majority of the votes cast at a meeting of the Members by Members entitled to vote in the election, except as may otherwise be provided by law. No member may cumulate his votes and cast all such votes for a single Director but shall distribute such votes on the same principal among the number of Directors being elected.

When a quorum is present at any meeting of the Members, the vote of fifty-one percent (51%) of those Owners qualified to vote and present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the statutes, the Condominium Declaration, the Articles of Incorporation or of these By-Laws, a different vote is required, in which case such express provision shall govern and control the decision of such question. Every Member having the right to vote shall be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such Member, bearing a date not more than eleven (11) months Prior to voting, unless such instrument provides for a longer period, and filed with the Secretary of the Association before, or at the time of the meeting. If such instrument shall designate two (2) or more persons to act as proxies, unless such instrument shall provide to the contrary, a majority of such persons present at any meeting at which their powers thereunder are to be exercised shall have and may exercise all the powers of voting or giving consents thereby conferred; or, if only one (1) be present then such powers may be exercised by that one (1); or, if an even number attend and a majority do not agree on any particular issue each proxy so attending shall be entitled to exercise such powers in respect of the same portion of the votes as he is of the proxies representing such votes.

### **SECTION 3.12. Action Without Meeting.**

Any action required by statute to be taken at any annual or special meeting of Members, or any action which may be taken at any annual or special meeting of Members, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by all the Members in good standing entitled to vote with respect to the subject matter thereof. The original signed consents shall be placed in the Association Minute Book and kept with the Associations records.

## **ARTICLE IV. Board of DIRECTORS**

### **SECTION 4.1. Management.**

The business, affairs and property of the Association shall be managed and controlled by its Board of Directors, which may exercise all such powers of the Association subject to the restrictions imposed by law, the Articles of Incorporation of this Association, the By-Laws and by the Declaration.

### **SECTION 4.2. Number and Tenure.**

The number of Directors shall be three (3). At the first annual meeting of Members, the Members shall elect one (1) Director for a term of one (1) year, one (1) Director for a term of two (2) years and one (1) Director for a term of three (3) years. At each annual meeting thereafter, the Members shall elect (1) one Director for a term of three (3) years. Any Director may be removed, from the Board of Directors for cause by a majority of the votes entitled to be cast by those Members present in person or represented by proxy at a meeting of the Members at which a quorum is present. In the event of death, resignation or removal of a Director, his successor shall be selected by the remaining Members of the Board of Directors and shall serve for the unexpired term of his predecessor. The President may appoint advisory members to the Board of Directors at his discretion. Each Member of the Board of Directors of the Association must be a Member of the Association maintaining permanent residence in the Condominium Project, with the exception of the first Board of Directors (and any replacement director elected by Declarant prior to the first meeting of the Association) designated in the Articles of Incorporation of the Association.

### **SECTION 4.3. Vacancies, additional directors and removal from office.**

If any vacancy occurs in the Board of Directors caused by death, resignation, retirement, disqualification or removal from office of any Director, or otherwise, or if any new directorship is created by an increase

in the authorized number of Directors, a majority of the Directors then in office and entitled by the provisions of the Articles of Incorporation to vote for such Director, though less than a quorum, or a sole remaining such Director, may choose a successor or fill the newly created directorship; and a Director so chosen shall hold office until the next annual election and until his or her successor shall be duly elected and shall qualify, unless sooner displaced. A Director may be removed either for or without cause at any special meeting of Members duly called and held for such purpose, at which a quorum is present, by a majority of the votes entitled to be cast by those Members present in person or represented by proxy except that only the Members entitled to vote for any such Director may vote for the removal of such Director. The President may appoint advisory members to the Board of Directors at his discretion.

#### **SECTION 4.4. Compensation.**

Directors, as such, shall not be entitled to any stated salary for their services unless voted by the Members of the Association; but by Resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board of Directors or any meeting of a committee of Directors. No provision of these By-Laws shall be construed to preclude any Director from serving the Association in any other capacity and receiving compensation therefore.

#### **SECTION 4.5. Regular Meetings.**

Regular meetings of the Board of Directors shall be held at such time and place, as shall be designated by Resolution of the Board of Directors. Notice of such regular meetings other than by such Resolution shall not be required,

#### **SECTION 4.6. Annual Meeting.**

The annual meeting of the Board of Directors may be held without notice other than these By-Laws, immediately after, and at the same place as, the annual meeting of Members.

#### **SECTION 4.7. Special Meeting.**

A special meeting of the Board of Directors may be called by or at the request of the President, or a majority of the Directors in office. The person or persons so calling may fix any place for holding a special meeting, and shall notify the Secretary of the information required, i.e. the time and the place of such meeting, to be included in the notice of the meeting. The Secretary shall give written notice to the Directors as required in these By-Laws. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any special meeting of the Board of Directors need be specified in the Notice or Waiver of Notice of such meeting, except that notice shall be given of any proposed amendment to the By-Laws if it is to be adopted at any special meeting or with respect to any other matter where notice is required by statute.

#### **SECTION 4.8. Quorum.**

The majority of Directors then in office of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute, by the Articles of Incorporation or by these By-Laws. 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. The Board of Directors shall strive to act by consensus. However, no action may be approved without the vote of at least a majority of the number of Directors required to constitute a quorum. If a quorum shall not be present at any meeting of the Board of Directors, a majority of the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, and reconvene the meeting one time without further notice when a quorum shall be present. A Director who is present at a meeting and abstains from a vote is considered not to be present and voting for the purpose of determining the decision of the Board of Directors.

#### **SECTION 4.9. Duties.**

Directors shall exercise ordinary business judgment in managing the affairs of the Association. Directors shall act as fiduciaries with respect to the interests of the Members. In acting in their official capacity as Directors of this Association, Directors shall act in good faith and take actions they reasonably believe to be in the best interests of the Association and that are not unlawful. In all other instances, the Board of Directors shall not take any action that they should reasonably believe would be opposed to the

Association's best interests or would be unlawful. In the discharge of any duty imposed or power conferred on a Director, including as a member of a committee, a Director shall not be liable if, in the exercise of ordinary care, the Director acts in good faith relying on written financial and legal statements provided by an accountant or attorney retained by the Association.

**SECTION 4.10. Action Without Meeting.**

Unless otherwise restricted by the Articles of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting, if a written consent thereto is signed by all members of the Board, and: such written consent is filed with the Minutes of proceedings of the Board.

**ARTICLE V.  
OFFICERS**

**SECTION 5.1. Officers.**

The Officers of the Association may be a President, a Vice-President, a Secretary and a Treasurer. The Board of Directors may, by Resolution, create the offices of Chairman of the Board and one or more Vice-Presidents. The Board of Directors may appoint such other Officers and agents, including Assistant Vice Presidents, Assistant Secretaries and Assistant Treasurers, as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined by the Board. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary. No Officer shall execute, acknowledge, verify or countersign any instrument on behalf of the Association in more than one capacity, if such instrument is required by law, by these By-Laws or by any act of the Association to be executed, acknowledged, verified or countersigned by two (2) or more Officers. None of the Officers need be a Director or Member of the Association, but they may be.

**SECTION 5.2. Election and Tenure.**

The Officers of the Association shall be elected annually by the Board of Directors at its regular annual meeting or as soon thereafter as conveniently possible. Each Officer shall hold office until his successor shall have been chosen and shall have qualified or until his death or the effective date of his resignation or removal.

**SECTION 5.3. Removal and Resignation.**

Any Officer or agent elected or appointed by the Board of Directors may be removed with or without cause by the affirmative vote of a majority of the Board of Directors whenever, in its judgment, the best interests of the Association shall be served thereby, but such removal shall be without prejudice to the contractual rights, if any, of the person so removed. Any Officer may resign at any time by giving written notice to the Association. Any such resignation shall take effect at the date of the receipt of such notice or any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

**SECTION 5.4. Vacancies.**

Any vacancy occurring in any office of the Association by death, resignation, removal or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

**SECTION 5.5. President.**

The President shall be the Chief Executive Officer of the Association and, subject to the control of the Board of Directors, shall in general supervise and control the business, property and affairs of the Association. In the absence of a Chairman of the Board, the President shall preside at all meetings of the Board of Directors and of the Members. He may also preside at such meetings attended by the Chairman of the Board if he is so designated by the Chairman. He shall have the power to appoint and remove subordinate Officers, agents and employees, except those elected or appointed by the Board of Directors. The President shall keep the Board of Directors and Executive Committee, if any, fully informed and shall consult them concerning the business of the Association. He may sign with the Secretary or other Officer of the Association thereunto authorized by the Board of Directors, any Deeds, bonds, mortgages, Contracts, checks, Notes, drafts or other instruments which the Board of Directors has authorized to be executed. The President, however, may not execute instruments on behalf of the Association if this power is expressly delegated to another Officer or agent of the Association by the Board of Directors, the By-Laws, or statute. He shall perform all other duties normally incident to the office of President and such other duties as may be prescribed by the Members, the Board of Directors, from time to time.

**SECTION 5.6. Vice President.**

When the President is absent, is unable to act, or refuses to act, the Vice President shall perform the duties of the President. When the Vice president acts in place of the President, the Vice President shall have all the powers of and be subject to all the restrictions upon the President. If there is more than one (1) Vice President, the Vice Presidents shall act in place of the President in the order of the votes received when elected. A Vice President shall perform other duties as assigned by the President or Board of Directors.

**SECTION 5.7. Secretary.**

The Secretary shall (a) see that all notices are duly given in accordance with the provisions of these By-Laws and as required by law; (b) take and keep the Minutes of the meetings of the Members and the Board of Directors; (c) be custodian of the corporate records, Record Books and of the seal of the Association, and see that the seal of the Association, or a facsimile thereof is affixed to all documents, the execution of which, on behalf of the Association under its seal, is duly authorized in accordance with the provisions of these By-Laws; (d) keep or cause to be kept a register of the post office address of each Member, Director, Officer and employee of the Association which shall be furnished by such Member, Director, Officer and employee; (e) sign with the President (or an Executive Vice President or Vice President, if such officers are designated) certificates of the Association, the issue of which shall have been authorized by Resolution of the Board of Directors; and (f) in general perform all duties normally incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or the Board of Directors.

**SECTION 5.8. Treasurer.**

The Treasurer shall (a) have charge and custody of and be responsible for all funds and securities of the Association; (b) receive and give receipts for monies due and payable to the Association from any source whatsoever; (c) deposit all such monies in the name of the Association in such banks, trust companies or other depositories as shall be elected in accordance with the provisions of Section 7.3. of these By-Laws, or as directed by the Board of Directors or President (d) write checks and disburse funds to discharge obligations of the Association, provided that all checks and disbursement of funds drawn from the Association or its accounts shall require the signature of the President or the Vice President. or the Assistant Treasurer, if any, in addition to the signature of the Treasurer; (e) maintain the financial books and records of the Association; (f) prepare financial reports at least annually; (g) perform other duties as assigned by the President or by the Board of Directors; (h) if required by the Board of Directors, give a bond for the faithful discharge of his or her duties in a sum and with a surety as determined by the Board of Directors; and (i) in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or the Board of Directors.

Section 5.9. chairman of the Board. 1.1 elected by the Board of Directors, the Chairman of the Board may preside at all meetings of the Board of Directors or of the Members of the Association. The Chairman shall formulate and submit to the Board of Directors, matters of general policy for the Association and may perform such other duties as usually appertain to the office or as may be prescribed by the Board of Directors. In the absence of the President or in the event of his refusal or inability to act, the Chainman may perform the duties and exercise the powers of the President.

**SECTION 5.10. Assistant Secretary or Assistant Treasurer.**

The Assistant Secretaries and Assistant Treasurers shall, in general, perform such duties as shall he assigned to them by the Secretary or the Treasurer, respectively, or by the President or the Board of Directors. The Assistant Secretaries and Assistant Treasurers shall, in the absence of the Secretary or Treasurer, respectively, perform all functions and duties which such absent Officers may delegate, but such delegation shall not relieve the absent Officer from the responsibilities of his office. The Assistant Secretaries may sign, with the President or a Vice President, certificates for the Association, the issue of which shall have been authorized by a Resolution of the Board of Directors. The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine.

**ARTICLE VI.  
COMMITTEES**

The Board of Directors may adopt a Resolution establishing one (1) or more committees delegating specified authority to a committee, and appointing or removing members of a committee. A committee shall include two (2) or more Directors and may include persons who are not Directors. The Board of

Directors may establish qualifications for membership on a committee. The establishment of a committee or the delegation of authority to it shall not relieve the Board of Directors, or any individual Director, of any responsibility imposed by the By-Laws or otherwise imposed by law. No committee shall have the authority of the Board of Directors to:

- A. Amend the Articles of Incorporation;
- B. Adopt a plan of merger or a plan of consolidation with another Association;
- C. Authorize the sale, lease, exchange, or mortgage of all or substantially all of the property and assets of the Association;
- D. Authorize the voluntary dissolution of the Association;
- E. Revoke proceedings for the voluntary dissolution of the Association;
- F. Adopt a plan for the distribution of the assets of the Association;
- G. Amend, alter or repeal the Declaration;
- H. Amend, alter, or repeal the By-Laws;
- I. Elect, appoint, or remove a member of a committee or a Director or Officer of the Association;
- J. Approve any transaction to which the Association is a party and that involves a potential conflict of interest as defined in Section 8.5, below;
- K. Take any action outside the scope of authority delegated to it by the Board of Directors.

## **ARTICLE VII POWERS OF THE ASSOCIATION**

Unless otherwise provided by the Declaration or these By-Laws, or the Act, the Association, acting through its Board, may:

- A. Adopt and amend By-Laws;
- B. Adopt and amend budgets for revenues, expenditures, and reserves, and collect assessments for common expenses from Unit owners;
- C. Hire and terminate managing agents and other employees, agents., and independent contractors;
- D. Institute, defend, intervene in, settle, or compromise litigation or administrative proceedings in its own name on behalf of itself or two or more Unit owners on matters affecting the condominium;
- E. Make contracts and incur liabilities relating to the operation of the condominium;
- F. Regulate the use, maintenance, repair, replacement, modification, and appearance of the condominium;
- G. Adopt and amend rules regulating the use, occupancy, leasing or sale, maintenance, repair, modification, and appearance of Units and common elements, to the extent the regulated actions affect common elements or other Units;
- H. Cause additional improvements to be made as a part of the common elements;
- I. Acquire, hold, encumber, and convey in its own name any right, title, or interest to real or personal property, except common elements of the condominium;
- J. Grant easements, leases, licenses, and concessions through or over the common elements;
- K. Impose and receive payments, fees, or charges for the use, rental, or operation of the common elements and for services provided to Unit owners;
- L. Impose interest and late charges for late payments of assessments, returned check charges, and, if notice and an opportunity to be heard are given, reasonable fines for violations of the Declaration, Bylaws, and Rules and Regulations of the Association;
- M. Adopt and amend rules regulating the collection of delinquent assessments and the application of payments;
- N. Adopt and amend rules regulating the termination of utility service to a Unit, the owner of which is delinquent in the payment of an assessment that is used, in whole or in part, to pay the cost of that utility;
- O. Impose reasonable charges for preparing, recording, or copying Declaration amendments, resale certificates, or statements of unpaid assessments;
- P. Enter a Unit for bona fide emergency purposes when conditions present an imminent risk of harm or damage to the common elements, another Unit, or the occupants;
- Q. Assign its right to future income, including the right to receive common expenses assessments, but only to the extent the Declaration so provides;
- R. Suspend the voting privileges of or the use of certain general common elements by an owner delinquent for more than 30 days in the payment of assessments;
- S. Purchase insurance and fidelity bonds it considers appropriate or necessary;
- T. Exercise any other powers conferred by the Act, the Declaration or the By-Laws;

- U. Exercise any other powers that may be exercised in this state by a Association of the same type as the Association; and
- V. Exercise any other powers necessary and proper for the government and operation of the Association.

## **ARTICLE VIII. TRANSACTIONS OF THE ASSOCIATION**

### **SECTION 8.1. Contracts .**

The Board of Directors may authorize any Officer, Officers, agent or agents, to enter into any 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 contact or instrument or it may extend to any number and type of possible contacts and instruments.

### **SECTION 8.2. Checks .**

All checks, demands, drafts or other orders for the payment of money, Notes or other evidence of indebtedness issued in the name of the Association, shall be signed by such Officer or Officers or such agent or agents of the Association, and in such manner, as shall be determined by the Board of Directors.

### **SECTION 8.3. Deposits.**

All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such bank, trust companies or other depositories as the Board of Directors may select.

### **SECTION 8.4. Gifts.**

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

### **SECTION 8.5. Potential conflict of Interest.**

The Association shall not make any loan to a director or Officer of the Association. A Member, Director, Officer, or committee member of the Association may lend money to and otherwise transact business with the Association except as otherwise provided by the Bylaws, Articles of Incorporation, and all applicable laws. 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 shall not borrow money from or otherwise transact business with a Member, Director, Officer, or committee member of the Association unless the transaction is described fully in a legally binding instrument and is in the best interests of the Association. The Association shall not borrow money from or otherwise transact business with a Member, Director, Officer, or committee member of the Association without full disclosure of all relevant facts and without the approval of the Board of Directors or the Members, not including the vote of any person having a personal interest in the transaction.

## **ARTICLE IX REQUIRED BOOKS AND RECORDS**

The Association shall keep correct and complete books and records of account. The Association's books and records shall include, but are not limited to the following:

- A. 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;
- B. A copy of the By-Laws, and any amended versions of Amendments to the By-Laws;
- C. Minutes of the proceedings of the Members, Board of Directors, and committees having any of the authority of the Board of Directors;
- D. A list of the names and addresses of the Members, Directors, Officers, and any committee members of the Association;
- E. An audited financial statement showing the income and expenses of the Association and the assets, liabilities and net worth at the end of the last fiscal year of the Association, beginning in fiscal year 2006;

- F. A financial statement showing the assets, liabilities, and net worth of the Association at the end of the five (5) most recent fiscal years;
- G. A financial statement showing the income and expenses of the Association for the five (5) most recent fiscal years;
- H. All rulings, letters, and other documents relating to the Association's federal, state, and local tax status; and
- I. The Association's federal, state, and local information or income tax returns for each of the Association's five (5) most recent tax years.

## **ARTICLE X INDEMNIFICATION**

The Association shall indemnify indemnities (as defined in the Articles of Incorporation) to the fullest extent permitted by law.

## **ARTICLE XI FINES**

### **SECTION 11.1**

The Association may charge the Unit owner for property damage for which the Unit owner is liable or levy a fine for violation of the Declaration, By-Laws, or Rules and Regulations. The Association shall give to the Unit owner a written notice that:

- A. Describes the violation or property damage and states the amount of the proposed fine or damage charge;
- B. States that not later than the 30th day after the date of the notice, the Unit owner may request a hearing before the Board of Directors to contest the fine or damage charge; and
- C. Allows the Unit owner a reasonable time, by a specified date, to cure the violation and avoid the fine unless the Unit owner was given notice and a reasonable opportunity to cure a similar violation within the preceding 12 months.

### **SECTION 11.2**

The Association may give a copy of the notice required by Section 11.1 to an occupant of the Unit. The Association must give notice of a levied fine or damage charge to the Unit owner not later than the 30th day after the day of levy.

## **ARTICLE XII MISCELLANEOUS**

### **SECTION 12.1. Seal.**

The corporate seal shall have inscribed thereon the name of the Association, and the year of incorporation. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced.

### **SECTION 12.2. Books.**

The books of the Association may be kept at the offices of the Association at 100 Stonewood Dr, Lufkin, Texas 75901, or at such other place or places as may be designated from time to time by the Board of Directors.

### **SECTION 12.3. Fiscal Year.**

The fiscal year of the Association shall end the 31st day of December of each year.

### **SECTION 12.4. Resignations.**

Any Director or Officer may resign at anytime. Such resignations shall be made in writing and shall take effect at the time specified therein, or if no time is specified, at the time of its receipt by the President or Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

### **SECTION 12.5. Inspection of records.**

Any person who shall have been a Member of record for at least six (6) months immediately preceding his or her demand and every Director, and every holder, insurer and guarantor of first mortgages that are

secured by Units in the Condominium Project, shall have the absolute right at any reasonable time, during normal business hours, to inspect all books, records, document; of every kind, and the physical properties of the Association, and also of its subsidiaries, domestic or foreign. Such inspection may be made in person or by agent or attorney, and the right of inspection includes the right to make extracts, but if done by an agent or attorney, then written notice of the identity and authority of such agent or attorney to act on behalf of such Member or Director or holder, insurer and guarantor of any first mortgages, shall be provided by such Member or Director or holder, insurer and guarantor of any first mortgage to the Secretary of the Association, at least five (5) business days in advance of such inspection.

#### **SECTION 12.6. Annual reports.**

- A. The Board of Directors shall cause an annual report to be sent to the Members not later than one hundred twenty (120) days after the close of the fiscal year.
- B. The annual report shall include the following audited financial statements:
  - 1. A balance sheet as of such closing date;
  - 2. A statement of income or profit and loss for the year ended on such closing date;
  - 3. Such other information as the Directors shall determine.
- C. The audited financial statements shall be prepared from the books and shall be in accordance therewith and shall be certified by the President, Secretary, Treasurer, or a public accountant. They shall be prepared in a form sanctioned by generally accepted accounting principles of the particular kind of business carried on by the Association.

#### **SECTION 12.7. Persons and Numbers.**

Wherever appropriate in the construction of these By-Laws, pronouns of the masculine gender shall include the neutral gender and persons of the female gender the singular number shall include the plural, and the plural the singular.

#### **SECTION 12.8. Section Headings.**

The headings or captions of the articles and sections of these By-Laws are inserted for convenience of reference only and shall not be deemed to be a part hereof or used in the construction or interpretation hereof.

#### **SECTION 12.9. Construction and Interpretation.**

The place of these By-Laws, their status and their forum, shall be at all times in the State of Texas; and these By-Laws shall be governed by the Laws of the State of Texas as to all matters relating to their validity, construction and interpretation. In the event that any court of competent jurisdiction shall adjudge to be invalid or unlawful any clause, sentence, paragraph, subsection, section or article of these By-Laws, such judgment or decree shall not affect, impair, invalidate or nullify' the remainder of these By-Laws, or any other provision hereof, but the effect of such judgment or decree shall be confined to the clause, sentence, paragraph, subsection, section or article so adjudged to be invalid or unlawful.

### **ARTICLE XML AMENDMENT**

These By-Laws may be altered, amended or repealed, and new By-Laws may be adopted by Sixty Seven percent (67%) of the votes of the Members present at any duly called annual or special meeting of Members at which a quorum is present. The notice of any meeting at which the By-Laws are altered, amended, or repealed, or at which new By-Laws are adopted shall include the text of the proposed By-Law 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.

### **ARTICLE XIV. CONFLICTING OR INVALID PROVISIONS**

Notwithstanding anything contained herein to the contrary, should all or part of any section of these By-Laws be in conflict with the provisions of the Texas Non-Profit Association Act, any other Texas law or the Declaration, such Act, law or the Declaration, as the case may be, shall control; and should any part of these By-Laws be invalid or inoperative for any reason, the remaining parts, as far as possible and is reasonable, shall be valid and operative.

