

BYLAWS
OF
WATER'S EDGE HOMEOWNERS' ASSOCIATION, INC.
A NONPROFIT CORPORATION

ARTICLE I

Purpose

1.01 The principal purpose of the corporation will be to maintain the Water's Edge Addition to the City of Granbury, Hood County, Texas. In particular, the primary purpose shall be to maintain the Canal Waterway System. The secondary purpose will be to construct and/or maintain any other improvements or common areas within the addition.

ARTICLE II

OFFICES

Principal Office

2.01 The principal office of the corporation in the State of Texas shall be located in the City of Granbury, County of Hood. The corporation may have such other offices, either within or without the State of Texas, as the Board of Directors may determine or as the affairs of the corporation may require from time to time.

Registered Office and Registered Agent

2.02 The corporation shall have and continuously maintain in the State of Texas a registered office, and a registered agent whose office is identical with such registered office, as required by the Texas Non-Profit Corporation Act. The registered office may be, but need not be, identical with the principal office of the corporation in the State of Texas, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE III

MEMBERS

Membership

3.01 Only lot owners in the Water's Edge Addition to the City of Granbury, Texas, shall be eligible for membership in the Association. These lot owners entitled to membership shall be as follows:

a. Every person or entity who is or may hereafter become the record owner of a fee interest in any lot or lots located in the Water's Edge Addition which lot or lots are intended for use solely as single family residences shall automatically be and become a member of the Water's Edge Homeowners' Association; provided, however, any such person or entity who holds such interest merely as security for the performance of an obligation shall not be a member; and provided, further, that any member who sell or otherwise disposes of (by operation of law or otherwise) such interest required for membership as aforesaid shall thereupon automatically cease to be a member of the corporation.

b. If any person or entity who is or may hereafter become the record owner of a fee interest in any lot or lots located in the Water's Edge Addition has developed such lot or lots as a condominium project, and has filed and recorded in the Hood County "Condominium Records" a Condominium Declaration in full compliance with Title 7, Chapter 81 of the Texas Property Code, then the Council of Owners or Condominium Owners Association shall automatically be and become a member of the Water's Edge Homeowners' Association. The individual owners of the condominium units shall not be or become members of the Water's Edge Homeowners' Association, there interest being represented by the Council of Owners or Condominium Owners Association.

c. Any person or entity who is or hereafter may become the record owner of a fee simple interest in any lot or lots located in the Water's Edge Addition and upon which a multi-family dwelling, duplex, or apartment complex is built shall

automatically be and become a member of the Water's Edge Homeowners' Association. Only the fee simple owner of the lot or lots upon which the multi-family dwelling, duplex, or apartment complex is located shall become a member of the corporation, no tenant or lessee shall become a member of the corporation.

The owners of any lot or lots in the Water's Edge Addition not specifically listed above shall not be members of the corporation or otherwise have any interest in its business or affairs.

Classes of Members and Voting Rights

3.02 The corporation shall have two (2) classes of members. The designation of such classes and the qualifications and rights of the members of such classes shall be as follows:

CLASS A. Class A members shall be all those owners defined in paragraph 3.01.a, b, and c, above, with the exception of the Developers. Class A members described in paragraph 3.01.a shall be entitled to one vote for each lot in which they hold the interest required for membership by said paragraph 3.01.a. When more than one person holds such interest in any lot, all such persons shall be members, and 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 such lot. Class a members described in paragraph 3.01.b shall be entitled to one vote for each 10,000 square feet of property or part thereof of any lot or lots covered by the Condominium Declaration which are subject to the control of the Council of Owners or Condominium Owners Association. Class A members described in paragraph 3.01.c shall be entitled to one vote for each 10,000 square feet of property or part thereof of any lot or lots on which the multi-family dwelling, duplex, or apartment complex is located.

CLASS B. Class B members shall be the Developers of Water's Edge Addition. Developers are defined as the business entities undertaking the platting and improving of lots or tracts in said subdivision so that they are suitable for construction purposes. Class B members shall at all times be entitled to three votes for each lot in which it holds the interest required for membership, provided, however, that at any time when the total number of lots owned by the Class A

membership exceeds two-thirds (2/3) of the total number of lots owned by the Class A and Class B members combined, the Class B membership shall be entitled to only one vote for every such lot. It is understood that other lots may be developed in subsequent increments or the Water's Edge Addition which lots also shall be subject to the Covenants of Record and to assessments by the corporation. The provisions set forth above granting Class B members three votes for each lot shall in all events be operative until two-thirds (2/3) of all such lots (both those included in present and sub-sequent increments of the Water's Edge Addition as they are platted and placed of record) are owned by the Class A membership.

Suspension and Termination of Membership

3.03 The Board of Directors, by affirmative vote of a majority of those present, may suspend a member for cause after an appropriate hearing and may, by a majority vote of those present at any regularly constituted meeting, terminate the membership of any member who becomes ineligible for membership, or suspend any member who shall be in default in the payment of dues for the period fixed in Article X of these Bylaws. Suspension of membership removes from the member all privileges of membership, but does not relieve the suspended member of any of the obligations imposed upon member by the Corporation.

Reinstatement

3.04 Upon written request signed by a suspended member and filed with the Secretary, the Board of Directors may, by the affirmative vote of two-thirds (2/3) of the members of the Board, reinstate such suspended member to membership on such terms as the Board of Directors may deem appropriate.

Transfer of Membership

3.05 Membership in this corporation is not transferable or assignable.

ARTICLE IV

MEETINGS OF MEMBERS

Annual Meeting

4.01 An annual meeting of the members shall be held on the 1st day of November in each year, at the hour of 7 o'clock, p.m., for the purpose of electing Directors and for the transaction of other business as may come before the meeting. If the day fixed for the annual meeting shall be on a legal holiday in the State of Texas, such meeting shall be held on the next succeeding business day. If the election of Directors shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the members as soon thereafter as possible.

Special Meeting

4.02 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.

Place of Meeting

4.03 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 corporation in the State of Texas; but if all of the member shall meet at any time and place, either within or without the State, and consent to the holding of a meeting, such meeting, any corporate action may be taken.

Notice of Meetings

4.04 Written or printed 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 ten (10) nor more than fifty (50) 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 these bylaws, the purpose or purposes 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 addressed to the member at his address as it appears on the records of the corporation, with postage thereon prepaid.

Informal Action by Members

4.05 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 the members may be taken without a meeting, if a consent in writing, setting forth the action so taken, shall be signed by all of the members entitled to vote with respect to the subject matter thereof.

Quorum

4.06 The members holding twenty-five percent (25%) of the votes which may be cast at any meeting shall constitute a quorum at such meeting. If a quorum is not present at any meeting of members, a majority of the member present may adjourn the meeting from time to time without further notice.

Proxies

4.07 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 (11) months from the date of its execution, unless otherwise provide in the proxy.

Voting by Mail

4.08 Where Directors or officers are to be elected by members, such election may be conducted by mail in such manner as the Board of Directors shall determine.

ARTICLE V

BOARD OF DIRECTORS

General Powers

5.01 The affairs of the corporation shall be managed by its Board of Directors. Directors must be members of the corporation.

Number, Tenure, and Qualifications

5.02 The number of Directors shall be five. Each Director shall hold office until the next annual meeting of members and until his successor shall have been elected and qualified.

Regular Meetings

5.03 A regular annual meeting of the Board of Directors shall be held without other notice than contained in these Bylaws, immediately after, and at the same place as, the annual meeting of members. The Board of Directors may provide by resolution the time and place, either within or without the State of Texas, for the holding of additional regular meetings of the Board without other notice than such resolution.

Special Meetings

5.04 Special meetings of the board of Directors may be called by or at the request of the President or any two Directors. The person or persons authorized to call special meetings or the Board may fix any place, either within or without the State of Texas, as the place for holding any special meetings of the Board called by them.

Notice

5.05 Notice of any special meeting of the board of Directors shall be given at least two days prior thereto by written notice delivered personally or sent by mail to each Director at his address as shown by the records of the corporation. If mailed, such notice shall be deemed to be delivered when

deposited in the United States mail so addressed with postage thereon prepaid. 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 express 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 regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these Bylaws.

Quorum

5.06 A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board; but if less than a majority of the Directors are present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

Manner of Acting

5.07 The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law or by these bylaws.

Vacancies

5.08 Any vacancy occurring in the Board of Directors and any directorship to be filled by reason of an increase in the number of Directors, shall be filled by the Board of Directors. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

Compensation

5.09 Directors as such shall not receive any stated salaries for their services, 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; but nothing herein contained shall be construed to preclude any Director from serving the corporation in any other capacity and receiving compensation therefor.

Informal Action by Directors

5.10 Any action required by law to be taken at a meeting of Directors, or any action which may be taken at a meeting of Directors, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the Directors.

ARTICLE VI

OFFICERS

Officers

6.01 The officers of the corporation shall be a President, one or more Vice Presidents (the number thereof to be determined by the Board of Directors), a Secretary, a Treasurer, and such other officers as may be elected in accordance with the provisions of this Article. The Board of Directors may elect or appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed, from time to time, by the Board of Directors. Any two or more offices may be held by the same person, except the offices of President and Secretary.

Election and Term of Office

6.02 The officers of the corporation shall be elected annually by the Board of Directors at the regular annual meeting of the Board of Directors. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. New offices may be created and filled at any meeting of the Board or Directors. Each officer shall hold office until his successor shall have been duly elected and shall have qualified.

Removal

6.03 Any officer elected or appointed by the board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the officer so removed.

Vacancies

6.04 A vacancy in any office because of death, resignation, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

President

6.05 The President shall be the principal executive officer of the corporation and shall in general supervise and control all of the business and affairs of the corporation. He shall preside at all meetings of the members and of the Board of Directors. He may sign, with the Secretary or any other proper officer of the corporation authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors have authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these bylaws or by statute to some other officer or agent of the corporation; and in general he shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Vice President

6.06 In the absence of the President or in the event of his inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in order of their election) shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties as from time to time may be assigned to him by the President or Board of Directors.

Treasurer

6.07 If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine. He shall have charge and custody of and be responsible for all funds and securities of the corporation; receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust, companies, or other depositories as shall be selected in accordance

with the provision of Article VII of these Bylaws; and in general perform all 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 by the Board of Directors.

Secretary

6.08 The Secretary shall keep the minutes of the meetings of the members and of the Board of Directors in one or more books provided for that purpose; give all notices in accordance with provisions of these Bylaws or as required by law; be custodian of the corporate records and of the seal of the corporation, and affix the seal of the corporation to all documents, the execution of which on behalf of the corporation under its seal is duly authorized in accordance with the provisions of these Bylaws; keep a register of the post office address of each member which shall be furnished to the Secretary by each member; and, in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Assistant Treasurers and Assistant Secretaries

6.09 If required by the Board of Directors, the Assistant Treasurers shall give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Treasurers and Assistant Secretaries in general shall perform such duties as shall be assigned to them by the Treasurer or the Secretary or by the President or the Board of Directors.

ARTICLE VII

CONTRACTS, CHECKS, DEPOSITS, AND FUNDS

Contracts

7.01 The Board of Directors may authorize any officer or officers, agent or agents of the corporation, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation. Such authority may be general or confined to specific instances.

Checks and Drafts

7.02 All checks, drafts, or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents or the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors. In the absence of such determination by the Board of Directors, such instruments shall be signed by the Treasurer or an Assistant Treasurer and countersigned by the President or a Vice President or the corporation.

Deposits

7.03 All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositaries as the Board of Directors may select.

Gifts

7.04 The Board of Directors may accept on behalf of the corporation any contribution, gift, bequest, or devise for the general purposes of for any special purpose of the corporation.

ARTICLE VIII

BOOKS AND RECORDS

8.01 The corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its members, Board of Directors, and committees having any of the authority of the Board of Directors, and shall keep at the registered or principal office a record giving the names and addresses of the members entitled to vote. All books and records of the corporation may be inspected by any member or his agent or attorney for any proper purpose at any reasonable time.

ARTICLE IX

FISCAL YEAR

9.01 The fiscal year of the corporation shall begin on the first day of January and end on the last day of December in each year.

ARTICLE X

ASSESSMENTS

Assessment

10.01 Each Class A member whose lot is adjacent to, or has a connecting boundary line with either Lake Granbury or the Canal Waterway system shall pay an annual assessment equal to \$1.00 per foot of lake shore or Canal Waterway System boundary located on his lot or lots up to a maximum charge of: \$100 per single family dwelling lot; \$100 per 10,000 square feet of property covered by a Condominium Declaration; or \$100 per 10,000 square feet of property upon which a multi-family dwelling, duplex, or apartment complex is located; commencing with the calendar year 1987. Class A members whose lot is not adjacent to and does not have a connecting boundary line with either Lake Granbury or the Canal Waterway System shall not be liable for any annual assessment.

Use of Annual Assessment

10.02 Annual assessments herein provided for shall be used solely to maintain, preserve and promote the beautification and utility of the Canal Waterway system, including, without limiting the generality of the foregoing, the regulation of silt, plant growth, and other debris accumulating in the Canal Waterway System, and the control of the breeding and proliferation of mosquitoes and other pests in or around the Canal Waterway System, including specifically maintenance, construction, replacement or repair necessary to maintain the structural facilities of the Canal Waterway system as well as the designated flow and capacity characteristics of the System.

Changes in Annual Assessment

10.03 The Corporation may increase or decrease the amount or change the basis of the annual assessment specified in Section 10.01 hereof for any future period, provide that nay such increase, decrease, or change shall have the assent of at least two-thirds (2/3) of the votes of those members voting, whether in person or by proxy, at a meeting duly called for that purpose. Only those members whose lots are subjected to liability for annual assessments shall be entitled to vote on any change in the annual assessment or upon the uses of the funds collected as a result of the annual assessments.

Special Assessment

10.04 The Corporation may levy at any time a special assessment for the purpose of defraying whole or in part, the cost of any construction, repair, replacement or maintenance of any structure or facility connected with, or capital improvement relating to, the Water's Edge Addition other than the Canal Waterway System, provided that any such special assessments shall have the assent of at least two-thirds of the votes of these members voting, whether in person or by proxy, at a meeting duly called for that purpose. All members of the corporation shall be eligible to vote and all lots shall be subjected to liability for special assessments.

Notice of Assessment

10.05 In conjunction with every annual and special assessment, the Board of Directors of the Corporation shall prepare a roster of the lots to which the assessment is applicable, which roster shall be kept in the office of the Corporation and shall be open to inspection by any Owner. Written notice of the assessment shall be sent out to the Owner of every lot subject thereto at least thirty (30) days prior to the due date thereof. The Corporation shall upon demand at any time furnish to any Owner liable for said assessment a certificate in writing signed by an officer of the Corporation, setting forth whether said assessment has been paid. Such certificate shall be conclusive evidence payment of any assessment therein stated to have been paid.

Payment of Dues

10.06 Dues shall be payable in advance on the first day of January in each fiscal year. Dues of a new member shall be prorated from the first day of the month in which such new member purchases a lot, for the remainder of the fiscal year of the Corporation.

Default and Termination of Membership

10.07 When any member of any class shall be in default in the payment of dues for a period of one (1) month from the beginning of the fiscal year or period for which such dues become payable, his membership may thereupon be suspended by the Board of Directors in the manner provided in Article IV of these Bylaws.

ARTICLE XI

SEAL

11.01 The Board of Directors shall provide a corporate seal, which shall be in the form of a circle and shall have inscribed thereon the name of the corporation and the words "Corporate Seal of Water's Edge Homeowners' Association, Inc.".

ARTICLE XII

WAIVER OF NOTICE

12.01 Whenever any notice is required to be given under the provisions of the Texas Non-Profit Corporation Act or under the provisions of the articles of incorporation or the bylaws of the corporation, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XIII

AMENDMENTS TO BYLAWS

13.01 These bylaws may be altered, amended, or repealed and new bylaws may be adopted by a majority of the Directors present at any regular meeting or at any special meeting, if at least two days' written notice is given of an intention to alter, amend, or repeal these bylaws or to adopt new bylaws at such meeting.

ARTICLE X

ASSESSMENTS

Use of Annual Assessment

10.2 Annual assessments herein provided for shall be used in the following manner:

a. To maintain, preserve and promote the beautification and utility of the Canal Waterway System, including, without limiting the generality of the foregoing, the regulation of silt, plant growth, and other debris accumulating in the Canal Waterway System, and the control of the breeding and proliferation of mosquitoes and other pests in or around the Canal Waterway System, including specifically maintenance, construction, replacement or repair necessary to maintain the structural facilities of the Canal Waterway System as well as the designated flow and capacity characteristics of the System.

b. To incur legal and/or administrative expenses on behalf of the Owners Association including, but not limited to expenses for the enforcement of the restrictive covenants and the Bylaws of the Owners Association after said expenses have been duly authorized by the Board of Directors. In no event shall the Board of Directors incur more expenses in any one year than the amount of money assessed or to be assessed in the same year without the approval of at least two-thirds of the votes of those members voting, whether in person or by proxy, at a meeting duly called for that purpose.

STEVEN J. REID, President

ATTEST

SAMMIE CRUMP, Secretary

**AMENDMENT TO BYLAWS OF
WATER'S EDGE HOMEOWNER'S ASSOCIATION, INC.**

WHEREAS, after proper notice was given in accordance with the Restrictive Covenants and Bylaws of the WATER'S EDGE OWNER'S ASSOCIATION, INC. on November 12, 1992, beginning at 7:00 p.m., the Annual Meeting of the WATER'S EDGE OWNER'S ASSOCIATION was conducted; and

WHEREAS, pursuant to the Agenda established and mailed in accordance with said Restrictive Covenants and Bylaws, a motion was duly made, seconded and unanimously approved by all of those present and entitled to vote, either in person or by proxy, which vote was in excess of two-thirds (2/3) of the members of WATER'S EDGE OWNER'S ASSOCIATION, INC. entitled to vote, to amend the Bylaws as hereinafter set forth:

NOW THEREFORE, the Bylaws of WATER'S EDGE OWNER'S ASSOCIATION, INC. are hereby amended to read as follows:

ARTICLE V

BOARD OF DIRECTORS

Number, Tenure, and Qualifications

5.02 The number of Directors shall be six (6). Each Director shall hold office for a term of three (3) years and until his successor shall have been elected and qualified. The terms of office shall be staggered in such a manner so as to provide for the election of two (2) Directors each year.

STEVEN J. REID, President

ATTEST

SAMMIE CRUMP, Secretary

AMENDMENT TO BYLAWS OF

WATER'S EDGE HOMEOWNER'S ASSOCIATION, INC.

WHEREAS, after proper notice was given in accordance with the Restrictive Covenants and Bylaws of the WATER'S EDGE OWNER'S ASSOCIATION, INC. on November 1, 1991, beginning at 7:00 p.m., the Annual Meeting of the WATER'S EDGE OWNER'S ASSOCIATION was conducted; and

WHEREAS, pursuant to the Agenda established and mailed in accordance with said Restrictive Covenants and Bylaws, a motion was duly made, seconded and unanimously approved by all of those present and entitled to vote, either in person or by proxy, which vote was in excess of two-thirds (2/3) of the members of WATER'S EDGE OWNER'S ASSOCIATION, INC. entitled to vote, to amend the Bylaws as hereinafter set forth:

NOW THEREFORE, the Bylaws of WATER'S EDGE OWNER'S ASSOCIATION, INC. are hereby amended to read as follows:

ARTICLE IV

MEETINGS OF MEMBERS

Annual Meeting

4.01 An annual meeting of the members shall be held on the first Thursday of November in each year, at the hour of 7 o'clock, p.m., for the purpose of electing Directors and for the transaction of other business as may come before the meeting. If the day fixed for the annual meeting shall be on a legal holiday in the State of Texas, such meeting shall be held on the next succeeding business day. If the election of Directors shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the members as soon thereafter as possible.

STEVEN J. REID, President

ATTEST

SAMMIE CRUMP, Secretary