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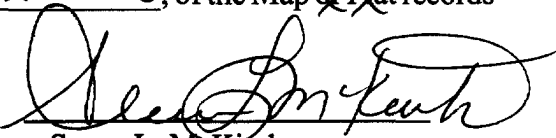
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AFFIDAVIT FOR THE FILING OF DEDICATORY INSTRUMENTS

THE STATE OF TEXAS §
 §
COUNTY OF MONTGOMERY §

KNOW ALL MEN
BY THESE PRESENTS:

WHEREAS, the attached documents are true and correct copies of the dedicatory instruments for THE CLIFFS AT SOUTH SHORE PROPERTY OWNERS' ASSOCIATION, INC. and are being filed in the Real Property Records of MONTGOMERY COUNTY pursuant to Section 202.006 of the Texas Property Code, hereto attached as exhibit "A". That the property affected by these documents is set out in the plat recorded for all lots and reserve lots in the plat being recorded in the County Clerks Office in MONTGOMERY County; for Section One recorded in Cabinet I, Sheets 94/95, Clerk's File No. 9662280; of the Map or Plat records the Office of the County Clerk of Montgomery County.

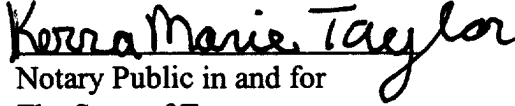
By: 
Printed Name: Susan L. McKirahan
Title: Secretary & Managing Agent

THE STATE OF TEXAS §
 §
COUNTY OF MONTGOMERY §

BEFORE ME, the undersigned authority, on this day personally appeared Susan L. McKirahan, whose position is the Secretary and Managing Agent of The Cliffs at South Shore Property Owners' Association, Inc. known to me to be the person and Officer position whose name is subscribed to the foregoing instrument, and acknowledged to me that Susan L. McKirahan executed the same for the purposes and consideration and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this the 25 day of April, 2001.




Notary Public in and for
The State of Texas

After recording return to:
The Cliffs at South Shore POA
c/o: CKM Property Management, Inc.
P. O. Box 690845
Houston, Texas 77269-0845

AFFIDAVIT AND NOTICE OF SPECIAL ASSESSMENT

876-00-2588

THE STATE OF TEXAS §
 §
COUNTY OF MONTGOMERY §

KNOW ALL MEN BY THESE PRESENTS:

BEFORE ME, the undersigned authority, personally appeared Ed Pearce, President of The Cliffs at South Shore Property Owners' Association, Inc., a Texas Nonprofit corporation, who, after being duly sworn by me, upon his oath stated:

My name is Ed Pearce, and I am the duly elected President of The Cliffs at South Shore Property Owners' Association, Inc., (the "Association").

The real property described below is located in The Cliffs at South Shore Subdivision, Montgomery County, Texas, and is subject to restrictions recorded under Clerk's File Number 9664241 of the Real Property Records of Montgomery County, Texas, (the "Restrictions"). Pursuant to the Restrictions, the real property described below is subject to a Special assessment to be paid to the Association by the owner of the property. The assessment is a charge upon the property and payment thereof is secured by a lien against the property in favor of the Association, as described in the Restrictions.

This is notice that a Special Members Meeting of THE CLIFFS OF SOUTH SHORE Property Owners' Association, Inc. (the "Association") was held on Saturday, December 2, 2000 at 10:00 a.m. at the Stanley Lake MUD Office, 975 Lake View Drive, Montgomery, Texas for the purpose of voting on funding necessary road repairs. Based on the proxy and ballot count at the meeting, the Board of Directors received approval from the Members to pursue obtaining a loan. The Board offered two methods of payment, a one time special assessment along with the annual assessment, the second method was an increase of \$240 for ten (10) years along with the annual assessment. It was further approved that if no payment was received by January 31, 2001, the owner of the property listed below will automatically be assigned an increase in annual dues of \$240.00 (to cover repayment of the loan) plus the current regular annual maintenance fee of \$360.00 (2001 rate, subject to change.) The Special Assessment of \$240.00 will remain an obligation against your specific property for a period of ten (10) years.

The Association hereby gives notice of the Special Assessment on the property, that the Special Assessment is secured by a lien, and that the Special Assessment is for a period of ten (10) years beginning January 1, 2001 through December 31, 2010 and due annually on January 1st, pursuant to the Restrictions.

The property charged with such Special Assessment is described as follows:

Lots 1-61 & Lots 61A-80. The Cliffs at South Shore, Section 1, a subdivision in Montgomery County, Texas, according to the plat recorded in Cabinet I, sheets 94/95 inclusive, Clerk's File No. 9662280, of the Map Records of Montgomery County, Texas.

THE CLIFFS AT SOUTH SHORE
PROPERTY OWNERS' ASSOCIATION,

By: Ed Pearce
ED PEARCE
President

STATE OF TEXAS §
COUNTY OF MONTGOMERY §

This instrument was subscribed, sworn to and acknowledged before me on JANUARY 2, 2001, by Ed Pearce, President of The Cliffs at South Shore Property Owners' Association, Inc.

Notary Public, State of Texas

Kerra Marie Taylor

AFTER RECORDING RETURN TO:
The Cliffs at South Shore POA, Inc.
c/o C.K.M. Property Management, Inc.
P. O. Box 690845
Houston, Texas 77269-0845





876-00-2589

The State of Texas
Secretary of State

CERTIFICATE OF INCORPORATION
OF

THE CLIFFS AT SOUTH SHORE PROPERTY OWNERS' ASSOCIATION
CHARTER NUMBER 01398395

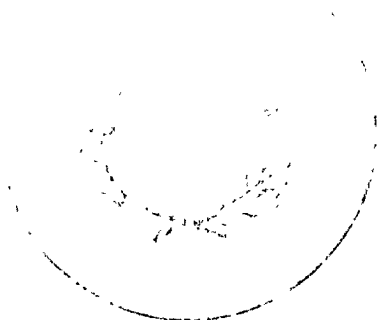
THE UNDERSIGNED, AS SECRETARY OF STATE OF THE STATE OF TEXAS,
HEREBY CERTIFIES THAT THE ATTACHED ARTICLES OF INCORPORATION FOR THE
ABOVE NAMED CORPORATION HAVE BEEN RECEIVED IN THIS OFFICE AND ARE
FOUND TO CONFORM TO LAW.

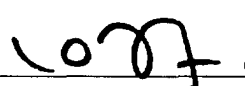
ACCORDINGLY, THE UNDERSIGNED, AS SECRETARY OF STATE, AND BY VIRTUE
OF THE AUTHORITY VESTED IN THE SECRETARY BY LAW, HEREBY ISSUES THIS
CERTIFICATE OF INCORPORATION.

ISSUANCE OF THIS CERTIFICATE OF INCORPORATION DOES NOT AUTHORIZE
THE USE OF A CORPORATE NAME IN THIS STATE IN VIOLATION OF THE RIGHTS OF
ANOTHER UNDER THE FEDERAL TRADEMARK ACT OF 1946, THE TEXAS TRADEMARK LAW,
THE ASSUMED BUSINESS OR PROFESSIONAL NAME ACT OR THE COMMON LAW.

DATED APR. 30, 1996

EFFECTIVE APR. 30, 1996




Antonio O. Garza, Jr., Secretary of State

876-00-2590

**ARTICLES OF INCORPORATION
OF
THE CLIFFS AT SOUTH SHORE
PROPERTY OWNERS' ASSOCIATION
(A Non-Profit Corporation)**

FILED
In the Office of the
Secretary of State of Texas
APR 30 1996
Corporations Section

ARTICLE ONE

The name of the Corporation is **THE CLIFFS AT SOUTH SHORE
PROPERTY OWNERS' ASSOCIATION.**

ARTICLE TWO

The Corporation is a non-profit corporation.

ARTICLE THREE

The period of its duration is perpetual.

ARTICLE FOUR

This corporation is organized exclusively to provide for and promote health, safety and welfare of the property owners of The Cliffs at South Shore, a subdivision in Montgomery County, Texas, to collect the maintenance charges, to administer the maintenance fund, to provide for the maintenance, repair, preservation, upkeep and protection of the common properties and facilities of the subdivision and for such other purposes consistent with the Restrictions of the subdivision.

ARTICLE FIVE

The street address of its initial Registered Office, and the name of its initial Registered Agent at this address is as follows:

Steve Bowen
South Shore Estates
Route 8, Box 145
Montgomery, Texas 77356

ARTICLE SIX

The number of initial Directors is three (3). The names and addresses of the initial Directors are:

John Femrite
11719 Forest Court
Dallas, TX 75230

Steve Bowen
2506 Sand Shore Drive
Conroe, TX 77304

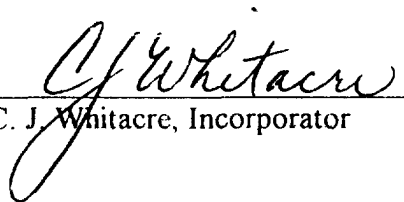
C. J. Whitacre
436 Beverly Drive
Richardson, Texas 75080

ARTICLE SEVEN

The name and address of the Incorporator is

C. J. Whitacre
436 Beverly Drive
Richardson, Texas 75080

EXECUTED on April 25, 1996



C. J. Whitacre, Incorporator

876-00-2592



The Cliffs
at South Shore

Bylaws of
The Cliffs at South Shore
Property Owners Association
A State of Texas Non-Profit Corporation



record not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the office or person calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited with the United States Postal Service, addressed to the property owner at his address as it appears on the books of the Association, with postage thereon prepaid. Notice of adjourned meetings is not necessary unless the meeting is adjourned for thirty (30) days or more, in which case notice of the adjourned meeting shall be given as in the case of a special meeting.

- 2.5. Voting Eligibility. The office or event having charge of the books of the Association shall make, at least ten (10) days before each meeting of the property owners, a complete list of the property owners entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of votes held by each, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office of the Association and shall be subject to inspection by any property owner at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any property owner during the whole time of the meeting. Subject to the provisions of section 7.2 thereof, the original books shall be prima facie evidence as to who are the property owners entitled to examine such list or transfer books or to vote at any meeting of property owners.
- 2.6. Quorum. A quorum for the transaction of business at Annual or Special meetings shall be defined as at least 20% of the total property owners present or by proxy, provided the requirements of paragraph 2.4 (notice of meetings) are met. If a quorum shall fail to attend any meeting of the Property Owners, then the meeting shall be rescheduled, without the necessity for giving additional notice other than the announcement at the meeting, at which subsequent meeting of Property Owners representing 15% of the total votes of the Association shall constitute a quorum for that meeting. When a quorum is present at any meeting of the property owners, the vote of the holders of a majority of the outstanding properties, present in person or represented by proxy, shall decide any question properly brought before such meeting, unless the question be one upon which, by law, a different vote is required, in which case such requirement shall control.
- 2.7. Voting. The Member or Members having an Ownership interest in a single property subject to the Association shall be entitled to one vote for each property owned, so long as the properties are intended for a single family construction on each lot. While two adjacent lots are owned by a single owner and remain undeveloped, said owner shall have two votes. Should two adjacent lots be used for a single-family construction, once construction starts, that property will be voted as a single lot. The vote by one Owner of a Property shall be presumed to be the representative of all Owners of that Property. An Ownership interest merely as a security interest for a loan shall not be considered an Ownership interest having any voting rights. Voting may take place in person, by proxy, by facsimile transmission (ballot or facsimile of proxy,) mail, or a combination of any of these methods. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy. Each proxy shall be revocable,

unless expressly provided therein to be irrevocable and unless otherwise made irrevocable by law.

- 2.8. Signed Consent. Any action required or permitted by statute to be taken at a meeting of the property owners may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the property owners entitled to vote with respect to the subject matter thereof, and any such consent shall have the same force and effect as a unanimous vote of the property owners. Any such signed consent or a signed copy thereof, shall be placed in the minute book of the Association.

ARTICLE III DIRECTORS

3. The business and affairs of the Association shall be managed by a Board of Directors consisting of five (5) directors unless and until such number be increased or decreased by amendment of these bylaws. However, no such decrease shall have the effect of shortening the term of any incumbent director, and the number of directors shall never be less than three (3). Directors must be members of the Association. A director shall be deemed qualified when he or she enters upon the duties of the office, but the Board of Directors may also require a written acceptance and promise to faithfully discharge the duties of the office. Directors shall be elected at the annual meeting of property owners, and each director shall be elected to serve until his successor shall have been elected and qualified, or until his service as director shall have been terminated by resignation, retirement, removal or death. At any meeting of the property owners called expressly for the purpose, any director or the entire Board of Directors may be removed, with or without cause, by a vote of the holders of a majority of the properties then entitled to vote at an election of directors.

- 3.1. Duration of Office. In November, 1999, the Association elected interim directors to a one-year term of office to organize the Association and conduct business of the Association following assumption of control from the Developer. Passed by resolution of the Association at that meeting, the first order of business at the November, 2000 meeting shall be the election of a Board of Directors to serve staggered terms, to assure continuity on the Board. *After the first term as delineated below, all terms of office will be three (3) years.* The initial terms of office of each position shall be as follows:

Position One, Board Member; Two (2) years
 Position Two, Board Member; Three (3) years
 Position Three, Board Member; Two (2) years
 Position Four, Board Member; Three (3) years
 Position Five, Board Member; Two (2) years

- 3.2. Vacancy. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors or by the property owners at a special meeting called for that purpose. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled

by reason of an increase in the number of directors shall be filled by election at an annual meeting or at a special meeting of the property owners called for that purpose.

- 3.3. Quorum. A majority of the number of Directors shall constitute a quorum for the transaction of business at a regular or special Board meeting. The act of the majority of 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.
- 3.4. Compensation. Directors, as such, shall not receive any stated salary for their services, but with proper receipts, may receive a rebate for personal funds expended in carrying out the duties of their office.
- 3.5. Executive Committee. The Board of Directors, by resolution adopted by a majority of the whole Board, may designate two or more directors to constitute an executive committee, which committee, unless its authority shall be otherwise expressly limited by such resolution, shall have and may exercise all of the power and authority of the Board of Directors in the business and affairs of the Association (including any power or authority granted under these bylaws) except where action of the Board of Directors is specified by statute. Vacancies in the membership of the committee shall be filled by the Board of Directors at a regular or special meeting of the Board of Directors. The executive committee shall keep regular minutes of its proceedings and report the same to the Board when required. The designation of such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed upon it or him by law.
- 3.6. Committees. The Board of Directors is hereby authorized to establish normal committees to perform such tasks and to serve for such periods as may be designated by a resolution adopted by a majority of the Board Members present at a Board meeting at which a quorum is present. Each committee established by the Board shall operate in accordance with the terms of the resolution of the Board of Directors designating the committee and in accordance with such rules as are adopted by the Board of Directors. All committees of the Association shall be vested with advisory powers only and are not authorized to act on behalf of the Association.
- 3.7. Contracts. Any contract or other transaction between the Association and any of its Directors (or any corporation or firm in which any of its Directors is directly or indirectly interested) shall be valid for all purposes notwithstanding the presence of such Director at the meeting authorizing such contract or transaction, or his participation in such meeting. The foregoing shall, however, apply only if the interest of each such Director is known or disclosed to the Board of Directors and it shall nevertheless authorize or ratify such contract or transaction by a majority of the Directors present, each such interested director to be counted in determining whether to carry such vote. This section shall not be construed to invalidate any contract or transaction that would be valid in the absence of this section.

**ARTICLE IV
MEETINGS OF THE BOARD OF DIRECTORS**

4. The first meeting of each newly elected Board of Directors shall be held at the same place as the meeting of property owners at which such directors were elected, immediately following the holding of such meeting of property owners, unless a different time and place be fixed by the property owners at such meeting. No notice of such meeting of directors shall be necessary to the newly elected directors in order to legally constitute the meeting if a quorum is present. In the event such meeting is not held at the time and place stated, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all of the Directors.
- 4.1. Regular Meetings. In addition to the meeting provided in Section 4.0. there shall be held such regular meetings, if any, of the Board of Directors, as the Board shall from time to time determine. The place, day and hour of all such meetings shall be as determined by the Board. No notice need be given for regular meetings of the Board of Directors.
- 4.2. Special Meetings. Special meetings of the Board of Directors may be called by the President and shall be called by the President or Secretary-Treasurer on written request of two (2) Directors.
- 4.3. Executive Session. The board of Directors may close a portion of its meetings for the purpose of discussing items which require confidentiality, matters involving the personal accounts of Property Owners, matters currently in litigation and other matters that the Board, in its discretion, considers to be of a sensitive nature.
- 4.4. Notice. Notice stating the place, day and hour of a special meeting shall be delivered to each Director not less than five (5) days before the date of the meeting. Neither the business to be transacted at, nor the purpose of, any special meeting of the Board need be specified in the notice or in any waiver of notice of such meeting. Such notices shall be delivered to each Director personally, by mail or by telegram. If mailed, such notice shall be deemed to be delivered when deposited with the United States Postal Service addressed to the Director at his address as it appears on the records of the Association with postage thereon prepaid. If by telegram, it shall be deemed to be delivered when the message is filed in a telegraph office addressed to the director at his address as aforesaid with cost of transmission prepaid. Attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a director who attends the meeting objects to the transaction of any business on the ground that the meeting is not lawfully called or convened.
- 4.5. Action taken at a Meeting. A Director of the Association who is present at a meeting at which action on any Association matter is taken shall be presumed to have assented to the action unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as Secretary-Treasurer

of the meeting before the adjournment thereof or shall forward such dissent by certified or registered mail to the Secretary-Treasurer of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

- 4.6. Action taken without a meeting. Any action permitted or required by statute, by the articles of incorporation or by these bylaws to be taken at a meeting of the Board may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all members of the Board of Directors. Such consent shall have the same force and effect as a unanimous vote at a meeting. Any such signed consent, or a signed copy thereof, shall be placed in the minute book of the Association.

4.7. Powers and Duties.

- 4.7.1. 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. In addition to the duties imposed by the bylaws, Texas law, or by any resolution of the Association that may hereafter be adopted, the Board of Directors shall have the power to establish policies relating to, and shall be responsible for performing or causing to be performed, the following, in way of explanation, but not limitation.

4.7.1.1. Adopt and amend bylaws, rules, and restrictions.

4.7.1.2. Prepare and adopt annual budgets;

4.7.1.3. Set the amount of the Cliffs at South Shore Maintenance Charges and Special Assessments for properties within the subdivision, establish the means and methods of collecting such Charges and Assessments, and establish the payment schedule for Maintenance Charges and Special Assessments, if other than annual; A "Special Assessment" is defined as a charge, fee or dues that each owner of a property within the Association will be assessed by a unanimous vote of the Board of Directors to cover unexpected obligations of the Association or to fund capital improvements,

4.7.1.4. Institute, defend, intervene in, settle or compromise litigation or administrative proceedings on matters affecting the Association,

4.7.1.5. Collecting the Charges and Assessments, depositing the proceeds thereof in a bank depository that it shall approve, and using the proceeds to operate the Association; provided, any reserve fund may be deposited, in the Board's best business judgment, in depositories other than banks;

4.7.1.6. Providing for the operation, care, upkeep and maintenance of all Common Areas and Limited common Areas, landscaping and other improvements located within Unrestricted Reserves "A", "B", in the Cliffs At South Shore,

along the brick wall adjacent to Old River Road, and inside and outside the access gate to the property. Association landscaping including but not limited to grass, flowers, shrubbery, trees and irrigation systems located in parkway right-of-ways, street right-of-ways, and medians with street right-of-ways; Association entrances, signage and lighting; and common areas and other property and areas as designated by the Board of Directors, all being hereinafter referred to as "Special Improvements";

- 4.7.1.7. Designating, hiring, and dismissing the personnel necessary for the operation of the Association and the maintenance, operation, repair and replacement of its property, the Special Improvements, and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;
- 4.7.1.8. Making and amending rules and regulations and promulgating, implementing and collecting fines for violations of the rules and regulations;
- 4.7.1.9. Opening of bank accounts on behalf of the Association and designating the signatories required;
- 4.7.1.10. Enforcing by legal means the provisions of the Restrictions, including the provisions concerning architectural control, these bylaws, and the rules and regulations adopted by the Association and bringing any proceedings that may be instituted on behalf of or against the Owners concerning the Association;
- 4.7.1.11. Obtaining and carrying insurance against property loss, casualties and liabilities, (including directors and officers liability insurance) with policy limits, coverage and deductibles as deemed reasonable by the Board of Directors and paying the premium cost thereof;
- 4.7.1.12. Paying the cost of all services rendered to the Association or its Members and not chargeable directly to specific property owners;
- 4.7.1.13. Keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred;
- 4.7.1.14. Maintaining a membership register reflecting, in alphabetical order, the names, Property addresses and mailing addresses of all Members;
- 4.7.1.15. Permitting utility suppliers, including the granting of easements, to use portions of the real property owned by the Association, if any, reasonably necessary to the ongoing development or operation of the Cliffs At South Shore Subdivision; and

4.7.1.16. Execute measures for improvement of the properties under the Association, including, but not limited to, landscaping and mowing and removal of signs.

4.7.2. Accounts and Reports. The following management standards of performance will be followed unless the Board by resolution specifically determines otherwise:

4.7.2.1. Accrual or cash accounting, as defined by generally accepted accounting principles, shall be employed;

4.7.2.2. Accounting and controls should conform to generally accepted accounting principles;

4.7.2.3. Cash accounts of the Association shall not be comingled with any other accounts.

4.7.2.4. No remuneration without full disclosure and prior agreement of the Board of Directors, or as contained in a written management contract, shall be accepted by the Board from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; anything of value received shall benefit the Association;

4.7.2.5. Any financial or other interest that any Board Member or the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors.

4.7.2.6. Financial reports shall be prepared for the Association at least annually containing:

4.7.2.6.1. An income statement reflecting all income and expense activity for the preceding period on an accrual or cash basis;

4.7.2.6.2. A statement reflecting all cash receipts and disbursements for the preceding period;

4.7.2.6.3. A variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;

4.7.2.6.4. A balance sheet as of the last day of the preceding period; and

4.7.2.6.5. A delinquency report listing all Property Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments that remain delinquent.

- 4.7.2.7. An annual report consisting of at least the following shall be made available at each meeting of Property Owners to all property Owners within one hundred twenty (120) days after the close of the fiscal year: (1) a balance sheet; (2) an operating (income) statement; and (3) a statement of changes in financial position for the fiscal year. The annual report referred to above shall be prepared on an audited or reviewed basis, as determined by the Board, by an independent public accountant.
- 4.7.3. Borrowing. The Board of Directors shall have the power to borrow money for the purpose of maintenance, repair or restoration of the Special Improvements, if any, or for any other proper purpose up to a total amount of \$25,000 without the approval of the Property Owners of the Association. With the approval of the Property Owners there shall be no limitation to the amount of money the Association may borrow.
- 4.7.4. Rights of the Association. With respect to the Special Improvements with the Association, and the areas of individual Lots maintained by the Association, and in accordance with the Articles of Incorporation and the Restrictions, the Association shall have the right to contract with any person or entity for the performance of various duties and functions. Without limiting the foregoing, this right shall entitle the Association to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or other associations, both within and without the Property. Such agreements shall require the consent of a majority of the total number of Board Members of the Association.
- 4.7.5. Enforcement. The Board shall have the power to impose reasonable fines, which shall constitute a lien upon the property of the violating Property Owner, and to suspend a Property Owner's right to vote or any person's right to use the Special Improvements, if any, for violation of any duty imposed under the Restrictions, these bylaws, or any rules and regulations adopted by the Association; provided, however, nothing herein shall authorize the Association or the Board of Directors to limit ingress and egress to or from a property. In addition, the Association shall be entitled to suspend any services provided by the Association to a lot or property in the event that the owners of such lot or property is more than thirty (30) days delinquent in paying any assessment or other amount due to the Association. In the event that an occupant, guest or invitee of a Property or Home Owner violates the Restrictions, bylaws, or a rule or regulation and a fine is imposed, the fine shall first be assessed against the occupant, guest and/or invitee; provided, however, if the fine is not paid by the occupant, guest and/or invitee within the time period set by the Board, the Property Owner shall pay the fine upon notice from the Association. The failure of the Board to enforce any provision of the Restrictions, bylaws, or any rule or regulation shall not be deemed a waiver of the right of the Board to do so thereafter.
- 4.7.6. Charges and Assessments. As provided in the Restrictions, each Property Owner is obligated to pay to the Association certain charges and Assessments, including

such charges and Assessments as may be included, from time to time, by amendment to the Restrictions. All costs, expenses, and fees charged to, or paid by, the Association in collecting, or attempting to collect, such charges and Assessments, as well as interest as specified in the Restrictions, shall be assessed against the Property Owner and the Property, and shall become part of the Assessments due on the Property. Likewise, all costs, expenses, and fees incurred by the Association in rectifying, or attempting to rectify, a violation of the Restrictions shall be assessed against the Property Owner and the Property, and shall become part of the Assessments due on the Property. Such costs, expenses, and fees shall include, but not be limited to:

- 4.7.6.1. Actual expenses, including attorney fees and court costs;
- 4.7.6.2. A Late Processing Fee, set annually by the Board of Directors, which shall be assessed for any account that has an unpaid balance on or after thirty (30) days after due date, as an inducement to pay on time and to offset administrative costs and expenses incurred in the collection process;
- 4.7.6.3. A dishonored-check processing fee, set by the Board of Directors, which shall be assessed for any payment check dishonored by the bank, to offset the additional processing cost incurred;
- 4.7.6.4. A partial payment processing fee, set by the Board of Directors, which shall be assessed of any payment for less than the full amount due at the time payment is made, to offset the additional processing costs incurred;
- 4.7.6.5. A Transfer Fee, set by the Board of Directors, which shall be assessed for the transfer of Ownership of any Property, including by foreclosure, to offset the administrative costs and expenses associated with (1) quoting, verbally or in writing, the status of the Assessments and other charges due on the Property, (2) tracking, researching, and determining or attempting to determine Ownership, (3) updating the books and records of the Association to reflect the transfer, and (4) preparing and mailing introductory information regarding the subdivision, the Association, and/or the covenants, conditions, restrictions, rules, and regulations applicable to the new Property Owner; and
- 4.7.6.6. A Refinance Fee, set by the Board of Directors, which shall be assessed for the refinance of any Property, to offset the administrative costs and expenses associated with quoting the status of the Assessments and other charges due on the Property and updating the books and records of the Association.
- 4.7.7. Any such Assessment or charge that is not paid when due shall be delinquent.
- 4.7.8. Notwithstanding anything to the contrary herein contained, the Association, acting through the Board of Directors, may elect to enforce any provision of the Restrictions, these bylaws, or the rules and regulations of the Association by self-

help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations and perform exterior maintenance) or by suit at law or in equity to enjoin any violation or to recover monetary damages or both without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Property Owner or occupant responsible for the violation of which abatement is sought shall pay all costs to repair, fines and costs, including reasonable attorneys' fees actually incurred.

ARTICLE V OFFICERS

5. The Officers of the Association shall be as delineated in 3.1. above. Such other officers and assistant officers and agents as may be deemed necessary may also be elected or appointed by the Board of Directors or chosen in such other manner and with such duties as the Board of Directors may by resolution prescribe. All officers of this Association shall be elected members of the Board of Directors.
 - 5.1. Terms of Office. Each officer of the Association will be elected to serve until his successor shall have been elected and qualified, or until his service as such officer shall have been terminated by resignation, retirement, removal or death. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Association will be served thereby. Vacancies occurring for any reason between the annual meeting of newly elected directors may be filled by the Board of Directors at any meeting.
 - 5.2. The President. The President shall be the chief executive officer of the Association and shall have such other powers and duties as usually pertain to such office or as may be delegated by the Board of Directors, and shall preside at all meetings of the property owners and the Board of Directors. The President shall have such powers and duties as usually pertain to such office, except as the same may be modified by the Board of Directors. Unless the Board shall otherwise delegate such duties, the chief executive officer shall have general and active management of the business of the Association, and see that all orders and resolutions of the Board are carried into effect. The president or any vice president shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the Association, except where required or permitted by law to be otherwise signed and executed, and except where the signing and execution thereof shall be expressly delegated by the Board to some other officer or agent of the Association.
 - 5.3. The Vice President. The Vice President, unless otherwise determined by the Board of Directors, shall, in the absence or disability of the President, perform the duties and exercise the powers of the President. He/she shall perform such other duties and have such other powers as the Board of Directors shall prescribe.

- 5.4. The Secretary-Treasurer.** The Secretary-Treasurer shall attend all meetings of the Board of Directors and all meetings of the property owners, and record all the proceedings of the meetings of the Association and of the Board of Directors in a book or other form of record to be kept for that purpose. He shall give, or cause to be given, notice of all meetings of the shareholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or chief executive officer, under whose supervision he shall be. He shall have the custody of the corporate funds and securities, and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association. He shall deposit all moneys and other valuable effects in the name and to the credit of the Association in such depositories as may be designated by the Board of Directors.
- 5.4.1.** The Secretary-Treasurer shall disburse the funds of the Association as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the chief executive officer and the Board of Directors at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as treasurer, and of the financial condition of the Association.
- 5.4.2.** If required by the Board of Directors, the Secretary-Treasurer shall give the Association a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Association, in case of his death, resignation, retirement or removal from office, of all books, records, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Association.
- 5.4.3.** The Secretary-Treasurer shall keep in safe custody the seal of the Association, and, when authorized by the Board of Directors, affix the same to any instrument requiring it, and, when so affixed, it shall be attested by his signature.
- 5.5. Delegation of Authority.** The Board of Directors from time to time may delegate to the President or other officer of the Association authority to hire, discharge and fix and modify the duties, salary or other compensation of employees of the Association under their jurisdiction, and the Board may delegate to such officer or executive employee similar authority with respect to obtaining and retaining for the Association the services of attorneys, accountants and other experts.
- 5.6. Qualification for Office.** An officer shall be deemed qualified when he enters upon the duties of the office to which he has been elected or appointed and furnishes any bond required by the Board of Directors; but the Board may also require of such person his written acceptance and promise faithfully to discharge the duties of such office.

**ARTICLE VI
WAIVERS OF NOTICE**

6.0. Whenever any notice is required by statute or these bylaws to be given to any property owner or director, the waiver thereof, in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

**ARTICLE VII
BOOKS AND RECORDS**

- 7.1. Correct and complete books and records of accounts, as well as minutes of the proceedings of the Association's property owners and Board of Directors, shall be kept at its registered office or principal place of business, along with a record of its property owners, giving the names and addresses of all property owners and the number of properties held by each. Any books, records, and minutes may be in written form or in any other form capable of being converted into written form within a reasonable time.
- 7.2. For the purpose of determining property owners entitled to notice or to vote at any meeting of property owners or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of property owners for any other proper purpose, the Board of Directors of the Association may provide that the books shall be closed for a stated period but not to exceed, in any case, fifty (50) days. If the books shall be closed for the purpose of determining property owners entitled to notice of or to vote at a meeting of property owners, such books shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the books, the Board of Directors may, however, fix in advance a date as the record date for any such determination of property owners, such date in any case to be not more than fifty (50) days and, in case of a meeting of property owners, no less than ten (10) days prior to the date on which the particular action requiring such determination of property owners is to be taken. If the books are not closed and no record date is fixed by the Board for the determination of property owners entitled to notice of or to vote at a meeting, the date on which the resolution of the Board is passed shall be the record date for such determination of property owners.

**ARTICLE VIII
INDEMNIFICATION**

When Indemnification is Required, Permitted, and Prohibited.

- 8.1. The association will indemnify a Board member, committee member, employee, or agent of the Association who was, is, or may be named defendant or respondent in any proceeding as a result of his or her actions or omissions within the scope of his or her official capacity in the Association. For the purposes of this article, an agent includes one who is or was serving at the Association's request as a trustee, officer, partner,

proprietor, joint venture, sole proprietorship, trust, employee-benefit plan, or other enterprise. Funds for indemnification may be paid from the existing Association funds, or secured by a special assessment of the Association members, such assessment must be approved unanimously by the Board of Directors.

- 8.2. The Association will indemnify a person only if he or she acted in good faith and reasonably believed that his or her conduct was in the Association's best interests. In case of a criminal proceeding, the person may be indemnified only if he or she had no reasonable cause to believe that the conduct was unlawful. The Association will not indemnify a person who is found liable to the Association or is found liable to another on the basis of improperly receiving a personal benefit from the Association. A person is conclusively considered to have been found liable in relation to any claim, issue, or matter if the person has been adjudged liable by a court of competent jurisdiction and all appeals have been exhausted. Termination of a proceeding by judgment, order, settlement, conviction, or on a plea of nolo-contendere or its equivalent does not necessarily preclude indemnification by the Association.
- 8.3. The Association will pay or reimburse expenses incurred by an officer or committee member or agent of the Association in connection with the person's appearance as a witness or other participation in a proceeding involving or affecting the Association when the person is not a named defendant or respondent in the proceeding.
- 8.4. In addition to the situations otherwise described in this paragraph, the Association may indemnify an officer, member, committee member or agent of the Association to the extent permitted by law. However, the Association will not indemnify any person in any situation which indemnification is prohibited by section 8.1 above.
- 8.5. The Association may advance expenses incurred or to be incurred in the defense of a proceeding to a person who might be eventually be entitled to indemnification, even though there has been no final disposition of the proceeding. Advancement of expenses may occur only when the procedural conditions specified in section 8.7. below, have been satisfied. Furthermore, the Association will never advance expenses to a person before final disposition of a proceeding if the person is a named defendant or respondent in a proceeding brought by the Association or if the person is alleged to have improperly received a personal benefit or committed other willful or intentional misconduct.
- 8.6. Extent and Nature of Indemnity. The indemnity permitted under these bylaws includes indemnity against judgments, penalties, (including excise and similar taxes), fines, settlements, and reasonable expenses (including attorney's fees) actually incurred in connection with the proceeding. If the proceeding was brought by or on behalf of the Association, the indemnification is limited to reasonable expenses actually incurred by the person in connection with the proceeding.

8.7. Procedures Relating to Indemnification Payments

8.7.1. Before the Association may pay any indemnification expenses (including attorney's fees), the Association must specifically determine that indemnification is permissible, authorize indemnification, and determine that expenses to be reimbursed are reasonable, except as provided in Subparagraph 8.7.2. below. The Association may make these determinations and decisions by any one of the following procedures:

8.7.1.1. Majority vote of a quorum consisting of Board of Directors members who, at the time of the vote, are not named defendants or respondents in the proceeding.

8.7.1.2. If such a quorum cannot be obtained, by a majority vote of a committee of the Board, designated to act in the matter by a majority vote of all the Directors, consisting solely of two or more Directors who at the time of the vote are not named defendants or respondents in the proceeding.

8.7.1.3. Determination by special legal counsel selected by the Board by the same vote as provided in Subparagraphs 8.7.1.1. or 8.7.1.2. above, or if such a quorum cannot be obtained and such a committee cannot be established, by a majority vote of all the Board.

8.7.2. The Association will authorize indemnification and determine that expenses to be reimbursed are reasonable in the same manner that it determines whether indemnification is permissible. If special legal counsel determines that indemnification is permissible, authorization of indemnification and determination of reasonableness of expenses will be made as specified by subparagraph 8.7.1.3. above, governing selection of special legal counsel. A provision contained in the articles of incorporation, or a resolution of Members of the Board that requires the indemnification permitted by Section 8.1 above, constitutes sufficient authorization of indemnification even though the provision may not have been adopted or authorized in the same manner as the determination that indemnification is permissible.

8.7.3. The Association will advance expenses before final disposition of a proceeding only after it determines that the facts then known would not preclude indemnification. The determination that the facts then known to those making the determination would not preclude indemnification and authorization of payment will be made in the same manner as a determination that indemnification is permissible under subparagraph 8.1. above.

8.7.4. In addition to this determination, the Association may advance expenses only after it receives a written affirmation and undertaking from the person to receive the advance. The person's written affirmation will state that he or she has met the

standard of conduct necessary for indemnification under these bylaws. The written undertaking will provide for repayment of the amounts advanced by the Association if it is ultimately determined that person has not met the requirements for indemnification. The undertaking will be an unlimited general obligation of the person, but it need not be secured and may be accepted without reference to financial ability to repay.

- 8.7.5. If the Association has any insurance coverage which will pay any expense of litigation against a Board Member, the Association's consent or other consent contained herein shall not be recovered to the extent of payments by any and all insurance carriers.

ARTICLE IX AUTHORIZED SIGNATURES

- 9.1. All checks, drafts or orders for the payment of money and all promissory notes issued by the Association shall be signed by such officer or officers, or such other person or persons, as the Board of Directors may from time to time designate, and in addition, the Board may likewise authorize an Officer of the Association, in turn, to designate and authorize other Officers or Employees to write checks, drafts or orders for the payment of money, in the name and on behalf of the Association. Signing may be accomplished manually or, if so provided by the Board of Directors, by facsimile signature.

ARTICLE X GENERAL

- 10.0. The Board of Directors may declare and the Association may pay dividends on its revenue in cash or property pursuant to law and subject to the provisions of its articles of incorporation.
- 10.1. The Board of Directors may by resolution, create a reserve or reserves out of earned surplus for any purpose or purposes, and may abolish any such reserve in the same manner.
- 10.2. The Board of Directors must, when requested by one-third of the total votes of property owners of the Association, present written reports of the situation and amount of business of the Association.
- 10.3. Nothing in these bylaws shall limit or restrict the authority of any persons to hold a meeting by any means permitted by law (including by way of illustration a meeting by telephone conference call) or to act by unanimous consent in lieu of a meeting.
- 10.4. Fiscal Year. The fiscal year of the Association shall be January 1st to December 31st of each year.

- 10.5. **Parliamentary Rules.** Except as may be modified by Board resolution, *Roberts Rules of Order* (current edition) shall govern the conduct of Association proceedings when not in conflict with Texas law, the Articles of Incorporation, The Restrictions or these Bylaws.
- 10.6. **Conflicts.** If there are conflicts between the provisions of Texas law, the Articles of Incorporation, the Restrictions and/or the By-laws, then the provisions of Texas law, the Restrictions, the Articles of Incorporation and the By-laws (in that order) shall prevail.
- 10.7. **Inspection by Members and Mortgagees.** The Restrictions, by-laws, and Articles of Incorporation, any amendments to the foregoing, the rules and regulations of the Association, the Membership register, books of account, and the minutes of meetings of the Members, the Board and committees shall be made available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a property or homesite, Member of the Association or by the duly appointed representative of any of the foregoing at any reasonable time and for a proper purpose during normal business hours at such place within the Property as the Board shall prescribe, by appointment.
- 10.7.1. **Rules for Inspection.** The Board shall establish reasonable rules with respect to:
- 10.7.1.1. notice to be given to the custodian of records;
 - 10.7.1.2. hours and days of the week when such an inspection may be made by appointment for a proper purpose; and
 - 10.7.1.3. Payment of the cost of reproducing copies of documents requested and administrative costs of locating documents, if applicable. By resolution of the Board, a set fee may be set for this purpose.
- 10.8. **Inspection by Board Member.** Every Board Member shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical Property owned or controlled by the Association. The right of inspection by a Board Member includes the right to make a copy of relevant documents at the expense of the Association.
- 10.9. **Notices.** Unless otherwise provided in these by-laws, all notices, demands, bills, statements, or other communications under these by-laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first-class postage pre-paid:
- 10.9.1. If to a Member, at the address that the Member has designated in writing and filed with the Secretary Treasurer, or, if no such address has been designated, at the address of the lot or home-site of such Member; or

876-00-2609

10 9.2 If to the Association, the Board of Directors, or the managing agent, at the principal office of the Association or the managing agent, if any, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section

ARTICLE XI
AMENDMENTS

11.1. Except to the extent such power may be modified or divested by action of property owners, the power to alter, amend or repeal the bylaws of the Association or to adopt new bylaws shall be vested in the Board of Directors.

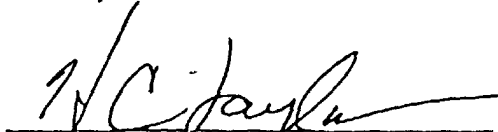
CERTIFICATION

I, THE UNDERSIGNED, DO HEREBY CERTIFY:

That I am the duly elected and acting Secretary-Treasurer of the Cliffs at South Shore Property Owners Association, Inc, a Texas Non-Profit corporation;

That the foregoing bylaws have been duly adopted by a vote of the membership held on the 30 day of April, 2000.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 14 day of Aug., 2000.


Secretary-Treasurer



Amendment One

PO Box 977
Montgomery, TX 77356
20 August 00

At a meeting of the Board of Directors of The Cliffs at South Shore Property Owners Association on 14 August, 2000, the following amendments were approved to the Constitution and Bylaws, upon recommendation of legal counsel:

Each member of the Association should modify their copy of the Bylaws to reflect the changes

- Article III, para 3.2 Sentence added following first sentence:
"A vacancy in the Board of Directors may also be filled at any annual meeting of the property owners or any regular meeting of the Board of Directors "
- Article IV, para 4.7.1.3 Last sentence modified as follows
Change the word "unanimous" to read "majority"
- Article IV, para 4.7.1.6 Second sentence modified to read:
Association landscaping includes but is not limited to maintenance of grass, flowers, shrubbery ."
- Article V, para 5 First sentence modified to read
"The Officers of the Association shall be a President, a Vice-President and a Secretary-Treasurer "
- Article VIII, para 8.7.5 word replaced, to read
"If the Association has any insurance coverage which will pay any expense of litigation against a Board Member, the Association's consent or other consent contained herein shall not be required to the extent of payments by any and all insurance carriers "
- New paragraph 4.7.5.1 (added)
- 4.7.5.1 Procedures to be followed to impose fines on Association Members
Written notification of a violation shall be sent to the home/property owner ~~that~~ describes the violation and desired remedy
Ten days (10) after the written demand to cease the violation is mailed should the violation continue, an amount not to exceed Ten Dollars (\$10.00) per day shall begin to accrue until the violation is removed
Collection procedures shall be as described under the "Enforcement" paragraph of the Bylaws

Edward J Pearce
President
The Cliffs at South Shore POA

Amendment Two

20 Aug 00

The Cliffs at South Shore
Property Owners Association
Resolution adopted by unanimous consent of Directors

Discussion:

Paragraph 4.7.1.10 of the Bylaws of the Association allow the Association to enforce the provisions of the Restrictions, bylaws, architectural control and the rules and regulations by any legal proceedings that may be instituted

Paragraph 4.7.5 of the Bylaws allow the Board to impose reasonable fines, which shall constitute a lien upon the property of the violating property owner.

Whereas, Section 4.7.3 of the Bylaws empowers the Board to assess reasonable fines in accordance with the terms of the By-laws, and

Whereas, the term "reasonable fine" is not defined in the Bylaws of the Association, and

Whereas, the procedures to be followed are not set forth in the Bylaws of the Association,

Therefore, Be it Resolved that the Bylaws of the Association be modified as follows

New paragraph 4.7.5.1 (added)

4.7.5.1 Procedures to be followed to impose fines on Association Members

Written notification of a violation shall be sent to the home/property owner that describes the violation and desired remedy

Ten days (10) after the written demand to cease the violation is mailed, should the violation continue, an amount not to exceed Ten Dollars (\$10.00) per day shall begin to accrue until the violation is removed

Collection procedures shall be as described under the "Enforcement" paragraph of the Bylaws

Three
 AMENDMENT ~~TWO~~ OF THE BYLAWS
 OF
 THE CLIFFS AT SOUTH SHORE PROPERTY OWNERS' ASSOCIATION, INC.

[As approved by the majority of the Board of Directors on October 24, 2000 and made a part of the Minutes of the Board of Directors meeting held October 24, 2000 and made a part of the Corporation Minute Book.] [This is an amendment to the Bylaws dated 4/30/00 and as approved by the majority of the Board of Directors on the same date.]

RESOLVED THAT: "The Bylaws, Articles 2.2 be amended to reflect the following change where applicable:

Annual Meeting be changed to read as follows: The annual meeting of property owners, commencing with the year 1999, shall be held on the third Tuesday of the month of November, if not a legal holiday, and if a legal holiday, then on the next secular day following, at which meeting the property owners shall elect a Board of Directors and transact such other business as may properly come before the meeting. After the meeting of the property owners held in the year 1999, members meetings shall be held on the first Saturday in November beginning in 2000. The meeting date may be changed by a majority vote of the Board of Directors in the event the 1st Saturday is not an acceptable date.

RECORDER'S MEMORANDUM:
 At the time of recordation, this instrument was found to be inadequate for the best photographic reproduction because of illegibility, carbon or photo copy, discolored paper, etc. All black-outs, additions and changes were present at the time the instrument was filed and recorded.

FILED FOR RECORD

01 MAY 16 PM 2:02

MARK TURNBULL, CO. CLERK
 MONTGOMERY COUNTY, TEXAS

DEPUTY

STATE OF TEXAS
 COUNTY OF MONTGOMERY
 I hereby certify that this instrument was filed in the Number sequence on the date and at the time stamped herein by me and was duly RECORDED in the official Public Records of Real Property of Montgomery County, Texas.

MAY 16 2001



Mark Turnbull
 COUNTY CLERK
 MONTGOMERY COUNTY, TEXAS