

**BY-LAWS
OF
WATERFORD ESTATES AT HISSOM RANCH PROPERTY OWNERS
ASSOCIATION, INC.**

THESE BY-LAWS (the "**By-Laws**") are entered into effective as of the 30th day of June, 2009 (the "**Effective Date**") as the By-Laws of the Waterford Estates at Hissom Ranch Property Owners Association, Inc. (the "**Association**").

PREAMBLE

1. The Association is an Arkansas nonprofit corporation formed by Waterford Estates Development, Inc., an Arkansas corporation (the "**Original Developer**") by filing its Articles of Incorporation with the Arkansas Secretary of State on August 22, 2005.

2. The Original Developer prepared and recorded the Fifth Amended and Restated Declaration of Covenants, Conditions, Restrictions and Easements of Waterford Estates at Hissom Ranch dated July 26, 2007 recorded in the Circuit Clerk's Office of Washington County, Arkansas on August 1, 2007 as File No. 2007-00029741, which amends and restates that certain Fourth Amended and Restated Declaration of Covenants, Conditions, Restrictions and Easements of Waterford Estates at Hissom Ranch dated March 22, 2007 recorded in the Circuit Clerk's Office of Washington County, Arkansas on April 2, 2007 as File No. 2007-00012202, which amends and restates that certain Third Amended and Restated Declaration of Covenants, Conditions, Restrictions and Easements of Waterford Estates at Hissom Ranch dated February 12, 2007 recorded in the Circuit Clerk's Office of Washington County, Arkansas on February 12, 2007 as File No. 2007-00005273, which amends and restates that certain Second Amended and Restated Declaration of Covenants, Conditions, Restrictions and Easements of Waterford Estates at Hissom Ranch dated March 8, 2006 recorded in the Circuit Clerk's Office of Washington County, Arkansas on March 10, 2006 as File No. 2006-00009902, which amends and restates that certain Declaration of Covenants, Conditions, Restrictions and Easements of Waterford Estates at Hissom Ranch dated August 17, 2005 recorded in the Circuit Clerk's Office of Washington County, Arkansas on August 19, 2005 as File No. 2005-00036656 (collectively, the "**Declaration**"); and

3. The undersigned now desire to set forth their amended and restated agreement with respect to the operations of the Association in these By-Laws.

THEREFORE, it is agreed as follows:

**ARTICLE I
NAME AND LOCATION**

1.1 Name. The name of the Association is the Waterford Estates at Hissom Ranch Property Owners Association, Inc. (the "**Association**").

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1.2 Registered Office and Registered Agent. The registered office of the Association shall be 17901 Chenal Parkway, Little Rock, Arkansas 72223, and the registered agent at such location shall be Mr. Michael Ptak.

1.3 Mail and Correspondence. Mail, correspondence, notices, requests for information and all communications, excluding service of process, shall be sent to the President of the Association, or such other address as may be designated by the Board of Directors. As of the date hereof, the mailing address of the President of the Association is Mr. Harvey Williams, Bank of the Ozarks, 3567 West New Hope Road, Rogers, Arkansas 72758.

1.4 Application of Bylaws. All present or future Owners, Members, tenants, future tenants, or their employees, or any other person who might use the facilities of the Association in any manner, shall be subject to the regulations set forth in these By-Laws and all governing documents of the Association. The mere acquisition or rental of any of the Lots contained in the Association or the mere act of occupancy of any of such Lots shall signify that these By-Laws are accepted, ratified and subject to compliance by all parties identified herein.

ARTICLE II **DEFINITIONS**

2.1 **“Articles of Incorporation”** shall mean and refer to the Association’s Articles of Incorporation, which were with the Arkansas Secretary of State on August 22, 2005, as amended from time to time.

2.2 **“Association”** shall mean and refer to the Waterford Estates at Hissom Ranch Property Owners Association, Inc., and its successors and assigns.

2.3 **“Board”** shall mean and refer to the Board of Directors of the Association who shall manage and control the affairs of the Association. Subject to any restrictions imposed by law, the Articles of Incorporation or these By-Laws, the Board shall exercise all powers of the Association.

2.4 **“By-laws”** shall refer to these By-Laws of the Association.

2.5 **“Common Area”** shall mean all real property owned by the Association or dedicated or available for the common use and enjoyment of the Members, and shall include, but not be limited to, all green space owned by the Association, the entrances, monuments, street islands and other ornamental areas and related utilities, lights sprinkler systems and landscaping, storm water drainage or detention facilities, and other areas designated as common areas on the Plat, and the sewer and septic STEP system located within the Subdivision, which is currently owned and managed by the Association.

2.6 **“Declarant”** shall mean the Original Developer.

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2.7 **"Declaration"** shall have the meaning set forth in the Preamble hereto, as further amended from time to time.

2.8 **"Developer Control Period"** shall mean and refer to the "Developer Control Period" defined in the Declaration, which is equal to that period of time beginning as of the date of the Declaration and continuing until the earlier of (a) the date the Successor Developer, in its sole and absolute discretion, terminates in writing such period, (b) the date upon which the Successor Developer no longer owns any Lot, or (c) December 31, 2015.

2.9 **"Lot"** shall mean and refer to those lots within the Subdivision as set forth in the recorded Plats in the records of the Circuit Clerk's Office of Washington County, Arkansas, as amended from time to time, and any additional property as may hereafter be brought within the jurisdiction of the Association, the above described subdivision and properties subsequently annexed.

2.10 **"Member"** shall mean and refer to each person or entity, whether one or more, who is the record owner of any Lot within the Subdivision.

2.11 **"Owner"** shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is part of Subdivision, including contract sellers, but excluding those who have an interest merely as security for performance of an obligation under a mortgage or other instrument.

2.12 **"Original Developer"** shall mean and refer to Waterford Estates Development, Inc., an Arkansas corporation.

2.13 **"Plat"** shall mean and refer to that certain recorded plat of the Subdivision, which was filed for record on July 25, 2005 at Document No. 2005-32046 in Washington County, Arkansas, as amended from time to time.

2.14 **"Subdivision"** shall mean and refer to that certain property known as "Waterford Subdivision" or "Waterford Estates" located in Goshen, Washington County, Arkansas (the "Property" or the "Subdivision") as more particularly described in the Plat, which consists of the Lots and the Common Areas and all other parts of the Waterford Estates Subdivision.

2.15 **"Successor Developer"** shall mean and refer to Bank of the Ozarks, an Arkansas banking corporation, as successor in interest to all right, title and interest of the Original Developer as the "Developer" of the Subdivision pursuant to that certain Assignment to Successor Developer by and between the Original Developer and the Successor Developer dated June 30, 2009 and recorded in the Circuit Clerk's Office of Washington County, Arkansas on June 30, 2009 as File No. 2009-00020824, together with its successors and assigns.

ARTICLE III **MEMBERSHIP**

3.1 **Membership Interest.** The membership interest shall be appurtenant to and may not be separated from ownership of the Lot. No Lot shall be entitled to more than one (1) vote regardless of the number of owners. There shall be only one (1) class of membership.

3.2 **Annual Meeting.** The annual meeting of the Members shall be held on the first Monday of February of each year at a time and place to be set by the Board (the "**Annual Meeting**"). The Board shall have the authority to change the date of the Annual Meeting to another date and, in any event, notice of the Annual Meeting shall be given Members at least thirty (30) days before the time scheduled for the meeting. Immediately following the Annual Meeting of the Members, the newly elected Board shall hold its initial meeting, select officers for the coming year, and conduct such other business as the Board deems appropriate or necessary.

3.3 **Special Meetings.** Special meetings may be called by the Board, upon majority vote, or by the President, or upon the written request of one-fourth (1/4) of the Members (a "**Special Meeting**"). Notice of any Special Meeting is to be given at least seven (7) days in advance and in the same manner required for the Annual Meeting.

3.4 **Notice of Meetings.** Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of the notice, postage prepaid, not less than thirty (30) nor more than ninety (90) days before any Annual Meeting and seven (7) days before any Special Meeting to each Member entitled to vote at the meeting, addressed to the Member's address last appearing on the books of the Association, or supplied by the Member to the Association for the purpose of receiving notice. Each Member is required to provide to the Secretary the Member's current address and phone number. Notice of the meeting shall specify the place, date and time of the meeting, together with the agenda of items to be discussed, and in the case of a Special Meeting, the purpose of the meeting.

3.5 **Voting Record.** The Secretary of the Association shall keep a complete list of the Members of the Association together with a list of such Members entitled to vote at any meeting of the Association. The list shall be available to any Member of the Association upon reasonable request. The membership list shall be finalized before each meeting of the Association and shall be made available during any such meeting. The foregoing membership list shall be prima facie evidence of the Association's membership and of the Members entitled to vote.

3.6 **Quorum.** The presence at the Annual Meeting or Special Meeting, either in person or by proxy, of Members entitled to cast one-tenth (1/10) of the votes of the membership shall constitute a quorum, except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws. The Annual Meeting may be adjourned to a later date if a quorum is not present, and without further notice; provided the date, time and place of such adjourned meeting is announced at the meeting so called at which a quorum was not present.

3.7 Voting. When a quorum is present or represented by proxy at any meeting of the members, the vote of a majority of the Members present in person or by proxy entitled to vote shall decide any question brought before the meeting, unless a greater percentage is required by these By-laws or the Association's Certificate of Incorporation. Voting need not be by ballot unless so demanded by any Member present at such meeting. Cumulative voting shall not be allowed for any election of Directors.

3.8 Proxies. At all meetings of Members, each Member may vote in person or by proxy. Proxies shall be in writing and filed with the Secretary. Each proxy shall be revocable until the vote is cast, and a proxy shall be valid for three (3) years from the date on which it was prepared, unless sooner revoked.

3.9 Action Without Meeting. Any action required to be taken at a meeting of the Members or any other action that may be taken at a meeting of the Members, may be taken without a meeting if a consent in writing, setting forth the action to be taken, shall be signed by the number of Members having not less than minimum number of votes that would be necessary to authorize or take such action at an actual meeting of the Members.

3.10 Suspension. Any Member who is not current on the payment of their assessments, then due, shall have such Member's right to vote at any meeting suspended, until the assessment is paid. Such payment shall be made at least ten (10) days prior to the date of any meeting.

3.11 Minutes. Minutes shall be recorded at all meetings and available for review by Members within thirty (30) days after a meeting in draft, summary, or final form.

ARTICLE IV **BOARD OF DIRECTORS**

4.1 Board of Directors. The affairs and business of the Association shall be conducted and managed by the Board. Each member of the Board must be a Member of the Association (a "Director"). The Board shall consist of at least three (3) and not more than ten (10) directors who shall be elected by the Members, and entitled to vote on all Association matters. Where there are co-owners of the same Lot, only one co-owner shall be a Director, unless the Association is not able, on reasonable effort, to obtain other Members willing to serve as Directors.

4.2 Term of Office. At the First Annual Meeting of the Members following the termination of the Developer Control Period, the Members shall elect seven Directors as follows: four (4) Directors shall be elected for a term of one (1) year, and three (3) Directors shall be elected for a term of two (2) years. At each Annual Meeting thereafter, the Members shall fill the term of a Director whose term has expired by electing a Director for a term of two (2) years.

4.3 Removal. Following the Developer Control Period, any Director may be removed from office, with or without cause, by majority vote of the Members of the Association or upon the seventy percent (70%) vote of the Directors of the Association. In the event of the death or resignation of a Director, sale of the Director's Lot and corresponding loss of membership or removal as a Director, his or her successor shall be elected by the remaining Directors of the Board and shall serve for the unexpired term of the former Director.

4.4 Vacancies. In the event of any vacancy or newly created directorship resulting from an increase in the authorized number of Directors, such directorship may be filled by a majority of the Directors then in office, or by a sole remaining Director, and the Directors so chosen shall hold office until the next Annual Meeting of the Members at which Directors are elected and qualified, unless sooner displaced. If there are new Directors in office, then an election of Directors shall be held in the manner provided by law.

4.5 Compensation. No Director shall receive compensation for any service he or she may render to the Association. However, any Director may be reimbursed for his or her actual expenses incurred in the performance of duties undertaken on behalf of the Association, and on submission of receipts or other appropriate documentation.

4.6 Action without Meeting. The Directors shall have the right to take any action in the absence of a meeting that they could take at a meeting by obtaining the written approval of all the Directors. Any action so approved shall have the same affect as though taken at a meeting of the Directors. Such a procedure is not a substitute for regular meetings of the Board of Directors as set forth below.

4.7 Election and Control During Developer Control Period. Notwithstanding anything to the contrary herein, during the Developer Control Period, the Successor Developer shall maintain absolute and exclusive control over the Association, including the absolute right to appoint, elect and remove all Directors and Officers of the Association. In accordance with the Declaration, during the Developer Control Period, only the Successor Developer shall be entitled to cast any votes with respect to the election and removal of Association Directors and Officers and members of the Architectural Review Committee or any other matter requiring the vote or approval of the Members. The Successor Developer may, but shall not be required to, at any time, relinquish all or any part of its control or rights under this Section 4.7.

ARTICLE V NOMINATION AND ELECTION OF DIRECTORS

5.1 Nomination. Following expiration of the Developer Control Period, nomination for election to the Board shall be made by a Nominating Committee. Nominations may also be made by Members from the floor at the Annual Meeting. The Nominating Committee shall consist of a Chairman, who shall be a Member of the Board of Directors, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board. The Nominating Committee shall make as many nominations for election to the Board as it shall in

its discretion determine, but not less than the number of vacancies on the Board that are to be filled. Nominees must all be Members of the Association.

5.2 Election and Proxies. Following expiration of the Developer Control Period, election to the Board shall be by written ballots, unless the Members at any such meeting shall unanimously agree otherwise. At the election, each Member may cast such Member's own vote as well as the vote of any proxy such Member holds. A proxy that fails to designate the name of the proxy holder shall be voted by the President or Secretary. The person receiving the largest number of votes for each vacancy shall be elected. A vote for a Director nominated prior to the election may be cast by a Member by mail on a ballot forwarded by the Board to the Members at least five (5) days prior to the Annual Meeting, provided such ballot is received by the Board or the Secretary prior to or at the Annual Meeting. A Member not personally present at the meeting but who has cast a ballot shall be counted as present at the meeting for quorum purposes.

ARTICLE VI

MEETINGS OF DIRECTORS

6.1 Regular Meetings. Following expiration of the Developer Control Period, regular meetings of the Board shall be held without specific notice to the Members, but shall be open to all Members. The regular meetings of the Board shall be held at such place and hour as may be fixed from time to time by resolution of the Board.

6.2 Special Meetings. Special meetings of the Board may be held at a designated time and place upon written request of any two (2) Directors, or upon the request of the President of the Board, after not less than three (3) days' written notice to each Director, except in the event of an emergency, where only twenty-four (24) hours' notice is required. The notice of the special meeting shall specify the matters and business to come before the Board at that meeting. No notice shall be necessary for any adjourned meeting. A waiver of specific notice of any special meeting, in writing, signed by the persons entitled to such notice shall be considered as receipt of that notice.

6.3 Quorum. One third (1/3) or two (2) Directors, whichever is greater, shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

6.4 Executive Session. The Board may, with the approval of a majority of a quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation or pending litigation, matters within the attorney/client privilege, and/or matters of a particularly sensitive nature involving rights to confidentiality or privacy including requests by homeowners for "closed session" hearings where appropriate, provided the general nature of the business to be considered in executive session is first announced in open session.

ARTICLE VII
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

7.1 **Powers.** The Board of Directors shall have the following powers:

(a) to exercise for the Association all powers, duties and authority vested in or delegated to the Association;

(b) to adopt and publish rules and regulations governing the use and enjoyment of the Common Areas and facilities and the personal conduct of the Members and their guests thereon and to establish penalties for infractions;

(c) to suspend the right to the use and enjoyment of the Common Areas by a Member or guest for violations of the published rules and regulations of the Association;

(d) to suspend the voting rights during any period in which a member is in default in the payment of any assessment levied by the Association;

(e) to declare the office of a member of the Board of Directors vacant in the event a Director is absent from three (3) consecutive regular meetings of the Board of Directors;

(f) to select all officers, agents, managers, independent contractors, or employees as necessary, and to prescribe their duties.

(g) to borrow money for the purpose of improving the Common Areas and facilities of the Association, and, with the approval of a majority of the homeowners, mortgage those common properties if necessary.

(h) to participate in mergers and consolidations with other nonprofit corporations organized for the same purposes, to authorize owners of lots in adjacent residential subdivisions to join the Association or annex additional residential property and common area, provided that any merger, consolidation or such annexation shall have the assent by vote of a majority of the Members.

7.2 **Duties.** The Board of Directors shall have the following duties:

(a) **Records.** To keep complete records of all of its acts and corporate affairs and to present a statement thereof to the Members at the Annual Meeting of the Members, or any Special Meeting when the statement is requested in writing by Members having one-fourth (1/4th) of the votes of all Members.

(b) **Transfer of Records.** The Association is responsible for ensuring that all financial and non-financial records of the Association, including, without limitation, minutes, resolutions, contracts, bank statements and canceled checks, accounting reports

and information, law suits, liens, and other information that is properly maintained and organized in a readily accessible manner (for example, placed in a three ring notebook) and that each officer responsible for the various records and information of the Association transfers those records and information to the person replacing or acting for them;

(c) Supervision. To supervise all officers, agents, contractors and employees of the Association, and see that their duties are properly performed;

(d) Assessments. As more fully provided in the Declaration, to:

(1) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period;

(2) send written notice of each regular or special assessment to every Member subject thereto, at least thirty (30) days in advance of each annual assessment (although failure to provide this advance notice does not relieve a Member of the obligation to pay the assessment);

(3) collect such assessments and all other financial obligations owed to the Association, including, without limitation, the expense of preparing, filing and releasing a lien, and any other expense, legal or otherwise, including fees owed by the Association to any collection agency retained in order to collect any past due assessment or other amount owed the Association, incurred by the Association as a result of the action or inaction of a Member; and, if necessary, foreclose the lien against any Lot, when such assessments are not paid and notice has been provided to the Member; and/or bring an action at law against the Member personally obligated to pay the same.

(4) fix and collect a special assessment against each Lot, written notice which shall be provided to the Members in the same fashion as an annual assessment, which special assessment may be set by the Board, in accordance with Section 12.5 hereof.

(e) Certificates. Issue, or authorize an appropriate officer to issue, upon demand by any persons having a legitimate interest in a Lot, a certificate setting forth whether or not any assessment on that Lot has been paid. A reasonable charge may be made by the Board for issuance of this certificate. Correspondingly, any lien filed as set forth in Section 12.1 shall be released within a reasonable time after the assessment covered by that lien has been paid and proof of payment and release shall be forwarded.

(f) Insurance. Procure and maintain adequate liability and hazard insurance on property owned by the Association and maintain officers and directors liability insurance.

(g) Maintenance. Cause the Common Areas of the Association to be maintained.

(h) Enforcement. Initiate any legal or other action necessary to enforce any of the restrictive covenants applicable to the Lots, correct violations of any rules or regulations promulgated by the Association, or pursue such other relief necessary to fulfill the purpose and intent of the Declaration, or Certificate of Incorporation or By-Laws of the Association.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

8.1 Enumeration of Officers. The officers of the Association shall be a President and Vice-President, who shall at all times be members of the Board of Directors, a Secretary and a Treasurer, who need not be members of the Board, and such other officers as the Board may from time to time by resolution create. Any officers who are not members of the Board shall be considered ex-officio members of the Board of Directors, and shall not be entitled to vote on Association business, and their status shall not be counted towards the total number of members of the Board of Directors required to establish quorum.

8.2 Selection of Officers. Following expiration of the Developer Control Period, the selection of officers shall take place at the first meeting of the Board following each Annual Meeting of the Members. During the Developer Control Period, officers shall be appointed as set forth in Section 4.7.

8.3 Term. Following expiration of the Developer Control Period, the officers of the Association shall be selected annually by the Board and shall hold office for one (1) year, unless such officer shall sooner resign, be removed, or otherwise fail or be disqualified to serve. No officer may hold the same office for more than two (2) consecutive terms or portions thereof. Provided, however, that after a one (1) year absence from such office, or if waived by an affirmative vote of the Board, an officer may again occupy such office.

8.4 Special Appointments. The Board may elect such other officers as the business of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

8.5 Resignation and Removal. Any officer may be removed from office with or without cause by a majority of the Directors voting at any meeting of the Board. Any officer may resign at any time by giving written notice to the Board, to the President or to the Secretary. A resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified, acceptance of the resignation is not necessary to make it effective.

8.6 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to a vacancy shall serve for the remainder of the term of the office replaced.

8.7 Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices, except in the case of special offices created pursuant to Section 8.4 of this Article, or upon the waiver of an affirmative vote of the Board.

8.8 Duties. The duties of the officers are as follows:

(a) President. The President shall be the chief executive officer of the Association and shall have general direction of the affairs of the Association and general supervision over the other officers. The President shall preside at all meetings of the Board; shall see that the orders and resolutions of the Board are carried out; shall sign and execute in the name of the Association all contracts or other instruments authorized by the Board, except in cases where the signing and execution thereof be expressly permitted to be performed by some other officer or agent; shall sign all leases, mortgages, deeds, or other written instruments and shall co-sign all checks and promissory notes; and perform such other duties and exercise such other powers as may from time to time be prescribed by the Board. The President is also responsible for ensuring that the financial information maintenance and transfer of records takes place.

(b) Vice-President. The Vice-President shall act in the place and stead of the President in the event of the President's absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required by the Board.

(c) Secretary. The Secretary, or an Assistant Secretary as designated in the absence of the Secretary, shall attend all meetings and proceedings of the Board and of the Members. The Secretary shall record the votes and keep the minutes of all meetings; keep the corporate seal of the Association and affix it on all papers requiring the seal; serve notice of meetings of the Board and of the Members; record all votes taken in the minutes of all proceedings to be recorded and kept in a book maintained for that purpose; maintain a book of resolutions passed by the Association; certify the results of all elections; keep appropriate current records showing the names, addresses and phone numbers of the Members of the Association; and, in general, perform the duties and exercise the powers incident to the office of Secretary and such other duties as may from time to time be prescribed by the Board or the President. Each person serving as Secretary is responsible for transferring all Association non-financial records, or other records and information, to the next person acting or designated as Secretary.

(d) Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and disburse these funds as directed by resolution of the Board; shall sign all checks and promissory notes of the Association; obtain §501(c)(7) status under the Internal Revenue Code for the Association; prepare and file

all necessary tax returns with federal and state agencies; keep proper books of account; shall keep complete and accurate records of account, showing at all times the current financial condition of the Association; shall render a statement of the financial affairs of the Association at the Annual Meeting of the Members and meetings of the Board; shall prepare an annual budget and statement of income and expenses to be presented to the Members at the annual meeting, and deliver a copy of each to the Members, and perform such other duties and powers as may from time to time be prescribed by the Board. Each person serving as Treasurer is responsible for transferring all Association financial records, or other records and information, to the next person acting or designated as Treasurer.

ARTICLE IX

BOOKS AND RECORDS

9.1 Inspection of Records. The books and records of the Association shall, upon reasonable advance written notice, specifying the material sought to be reviewed, be subject to inspection during reasonable business hours by any Member who is current on payment of assessments levied by the Association. The Board reserves the right to deny access and inspection of sensitive materials or minutes generated from Executive session meetings. Directors have an absolute right of inspection of all books and records of the Association. The copies of the books and records may be purchased at a reasonable cost. One copy of the Declaration, Certificate of Incorporation, and By-Laws of the Association shall be provided to any Member at no cost.

ARTICLE X

COMMITTEES

10.1 Appointment. The Association shall appoint a Nominating Committee, as provided in these By-Laws and shall appoint such other committees as the Board may deem appropriate either as standing committees or committees to address a specific issue(s).

ARTICLE XI

ARCHITECTURAL GUIDELINES

11.1 Promulgation of Guidelines. The Architectural Review Committee, as established by the Declaration, shall have the power to promulgate and submit to the Board for addition, rejection, or adoption, Architectural Guidelines, as the same may be modified by the Board as provided in this Article, setting forth the detailed control of architectural design and landscaping of the Lots and Common Areas within the Association ("**Architectural Guidelines**"). The Board shall take reasonable action to ensure that the Members of the Association comply with the Architectural Guidelines, including enforcement thereof. The Association may enforce such obligations as it deems appropriate, including, but not limited to, filing of a lien against the Member's Lot including related attorney's fees and costs for preparation, filing and release; initiating a lawsuit to collect and enforce the covenant or guideline, including liability to the Association for reasonable attorney's fees for the collection action and court costs, interest, and

delinquency charges; foreclosing the lien on the Member's Lot, including attorney's fees and costs of the foreclosure action; and the employ of a collection agency, if necessary, including reasonable fees for such action. Any lien created upon a Lot shall be subject and subordinate to and shall not affect the rights of any holder of indebtedness secured by any recorded mortgage or deed of trust.

11.2 Ratification and Effective Date of Guidelines. Any Architectural Guidelines as adopted by the Architectural Review Committee shall be effective immediately upon ratification by the Board of Directors and distribution to the Members of the Association.

11.3 Proposal of Guidelines and Amendments. The Architectural Guidelines and amendments thereto promulgated by the Architectural Review Committee may be ratified by the Board utilizing the following procedure:

(a) Submission. The Architectural Review Committee shall submit, in writing, to the Board the original and any proposed amendments to the Architectural Guidelines.

(b) Publication. Upon receipt of proposed Architectural Guidelines or amendments from the Architectural Review Committee, the Board shall give written notice of such proposed guidelines or amendments to the Members of the Association. The notice shall set forth the specific language of the proposed or amended Architectural Guidelines and the deadline for Members to review guidelines or amendments and submit their views, in writing or verbally, to the Board. The Board shall, on the request of one-fourth (1/4) of the Members, hold a public hearing on the proposed guidelines or amendments.

11.4 Board Approval. Subsequent to the publication of the proposed guidelines or amendments and the hearing thereon, if any, the Board shall proceed to approve, reject, or approve as amended, the proposed guidelines or amendments. The Board shall then provide written notice to the Members of the vote together with the guidelines or amendments approved by the Board.

11.5 Architectural Review Committee. There is hereby created an Architectural Review Committee consisting of at least three (3) persons, who need not be Members, who shall be appointed by the President with the approval of a majority of the Board at the first Board meeting following the Annual Meeting of Members.

11.6 Replacements or Modifications. No Member shall commence the rebuilding of a destroyed structure, or make any alteration, addition, or modification to the exterior portion of their residence, including but not limited to landscaping, fencing, driveways or painting, until the building plans, colors and specifications and plot plans for such proposed construction, alteration, addition, modification, or landscaping have been approved in advance and in writing by the Architectural Review Committee. The Committee, as part of its review, may require the plans, specifications, plot plan, samples, color schemes, etc., be submitted for review by the

Committee. Further, the Committee may impose such conditions for approval as the Committee may, in its discretion, determine regarding the type of building materials, design, colors or other features or characteristics thereof, as in their reasonable judgment should be used. The Committee may also require that the exterior finishing color and the architectural style or character of such building or improvement shall be such as, in the judgment of the Committee, is compatible with the general architectural style and character of existing structures erected in the Association, promoting a harmony and uniformity of design.

11.7 Procedure. Any Member who is required to seek approval from the Architectural Review Committee pursuant to the provisions of Section 11.6 shall submit a prior written request to the Committee, furnishing such drawings, diagrams, samples, or other information as the Committee may need in order for it to make a reasoned decision about the Member's application. The Committee shall approve, approve subject to modification, or disapprove the application by written notice to the Member within fifteen (15) days after the application has been submitted to it. If no such written notice is given, such application shall be deemed denied. In that event, the Member who submitted the application may apply directly to the Board for further review of the application.

11.8 Board Approval. Approval or disapproval by the Architectural Review Committee shall also constitute approval or disapproval, as the case may be, of the Board of Directors, unless the Board shall by a seventy percent (70%) majority vote reject, in whole or in part, the recommendations of the Architectural Review Committee.

11.9 Waiver or Modification. The Architectural Review Committee shall have the right to grant approvals in connection with the architectural guidelines and shall have the power to interpret the guidelines and covenants. An such action shall be taken first by the Architectural Review Committee, and shall be subject to the approval or modification by a majority of the Board.

11.10 Control By Successor Developer. Notwithstanding anything to the contrary herein, in accordance with the Declaration, at all times during the Developer Control Period, the Successor Developer shall have the power to appoint all members of the Architectural Review Committee, who shall serve until they resign or are removed by the Successor Developer. Upon expiration of the Developer Control Period, the Board of Directors shall appoint the members of the Architectural Review Committee as set forth in Section 11.5, who shall serve terms of one (1) year until their earlier resignation or removal by the Board of Directors.

ARTICLE XII **ASSESSMENTS**

12.1 Obligation and Lien. Every Member of the Association shall have the obligation to pay regular and/or special assessments for the development, maintenance, improvement or preservation of the Common Areas, and for the operations of the Association. Such assessment shall be determined from time to time by the Board. The regular and/or special assessments, together with interest, costs of collection, and attorney fees in connection therewith, including

the attorney fees incurred by the Association for demand letters sent in connection with the failure to timely pay such assessments, shall be the personal obligation of each Member. Each Member shall, upon becoming a member of the Association by reason of ownership of a Lot, be deemed to have granted to the Association a present and continuing lien upon the Member's Lot to secure payment of all current and future assessments upon the membership interest. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of twelve percent (12%) per annum or the greatest percent allowed by law, if less. No Member may waive or otherwise escape liability for the assessments provided for by non-use of the Common Areas or abandonment of such Member's Lot.

12.2 Regular Assessments. The initial regular assessment for each Lot in the Association shall be \$1,000.00 per year per Lot. This assessment shall become due the first day of the month following the month when the Lot is purchased from the Original Developer or Successor Developer, as applicable, and continue thereafter, regardless of occupancy. The initial assessment for each Lot shall be prorated on a monthly basis.

12.3 Changes in Regular Assessments. The regular assessment may be increased each year by the Board as set forth in the Declaration, considering such factors as the cost of maintenance of the Common Areas, expense of the operations of the Association, and other relevant factors. The regular assessment may be increased over the assessment for the previous year by a majority vote of the Board or by a greater percentage upon the affirmative vote of the owners of Lots in the addition. The Board shall fix the amount of the regular assessment for each calendar year by January 1 of each year. Written notice of any change in the regular assessment shall be sent to each Member, and assessment shall be due and payable on January 31st of each year.

12.4 Payment. The Regular Assessment shall be due each year, and assessments are deemed delinquent if not paid by January 31st, of each year.

12.5 Special Assessments. In addition to the regular assessment, the Association may levy a special assessment against all Members, as set forth in the Declaration, for the purpose of covering operating deficits, purchasing additional Common Area or taking other action which, in the opinion of the Board, is for the common use and benefit of the Members, including, but not limited to, the cost of any construction, repair or replacement of any capital improvement, or enforcement action.

12.6 Enforcement. Each regular assessment, special assessment, or other financial obligation to the Association shall be the separate, distinct and personal debt and obligation of the owner of the Lot against which the same is assessed. In the event of a delinquency in payment of such assessment or financial obligation, the Association may enforce such obligation as it deems appropriate, including, but not limited to, the exercise of any remedy therefor set forth in the Declaration, including, but not limited to, the filing of a lien against the Member's Lot including related attorney's fees and costs for preparation, filing and release; initiating a lawsuit to collect and enforce the assessment or financial obligation, including liability to the

Association for reasonable attorney's fees for the collection action and court costs, interest, and delinquency charges; foreclosing the lien on the Member's Lot, including attorney's fees and costs of the foreclosure action; and the employ of a collection agency, including reasonable fees for such action. Any lien created upon a Lot shall be subject and subordinate to and shall not affect the rights of any holder of indebtedness secured by any prior recorded mortgage or deed of trust.

12.7 Crediting Payments. The Association shall apply all partial payments by the Member to the Member's outstanding balance in the following order: (1) attorney's fees and costs; (2) late fees and interest; (3) fines; (4) special assessments; (5) regular assessments, with payment applied to the oldest balance first. No partial payments will waive the Association's right to pursue full payment and/or enforce its By-Laws, Declaration, and rules and regulations.

12.8 Waste Water, Tap Fees. Each Member shall pay to the Association the monthly fees for waste water collection and treatment services as set forth in the Declaration, which shall constitute a personal obligation of each Member.

12.9 Reserve Fund For Street Maintenance. The Board shall establish a reserve fund for maintenance and repair of streets and roadways within the Subdivision. Each year, the Board shall cause to be deposited into the fund, from the annual assessments collected, an amount equal to the expected total cost to repair or replace the streets within the Subdivision *divided by* the number of years in the expected lifespan of such streets and roadways. The amount to be so deposited shall be determined from time to time by the Board in its sole and absolute discretion.

ARTICLE XIII **OTHER OBLIGATIONS OF MEMBERS**

13.1 Obligation and Lien. Every Member of the Association shall have the obligation to comply with all restrictive covenants contained in the Declaration and all published rules and regulations promulgated from time to time by the Board. The Association may levy reasonable fines for violation of the conditions, covenants and restrictions found in the Declaration or published rules and regulations promulgated by the Board. All such fines are subject to the provisions herein relating to collection and enforcement of assessments, including the right of the Association to record a lien or foreclose for non-payment and the imposition of costs and collection agency and attorney fees, including fees incurred for the issuance of demand letters to correct violations and fees incurred for appellate procedures.

13.2 Procedure. A Member must be given no less than fifteen (15) days' written notice by the Board of any violation occurring and the fine to be assessed. The Member shall be given a reasonable opportunity, under the circumstances, to correct the violation or, if a first-time and unintentional violation occurs, an opportunity to assure the Board to the latter's satisfaction that the violation will not be repeated. The Member must request a hearing within ten (10) days of receiving said notice, to be held by the Board regarding the fine assessed. If a hearing is requested, an opportunity must be given to the Member to appear at said hearing, to be

represented by legal counsel if the Member chooses to retain private counsel, and to have a reasonable amount of time to present such evidence as such Member desires to the Board in support of the assertion that: (i) no violation occurred and/or (ii) the fine is not warranted. The decision of the Board after hearing, as to the assessment of a fine against the Member shall be conclusive. The Association is not required to provide such notice and opportunity to be heard for recurring or continuing violations unless no fewer than three (3) months have passed from the time of the previous violation. In the case of a continuing or persistent violation, each day the violation continues after written notice thereof shall be deemed a separate and distinct violation and, hence subject to a separate daily fine, up to a maximum of thirty (30) daily fines per violation.

ARTICLE XIV **MISCELLANEOUS**

14.1 Corporate Seal. At the option of the Board, the Association may have a corporate seal containing the words "Waterford Estates at Hissom Ranch Property Owners Association, Inc."

14.2 Fiscal Year. The fiscal year of the Association shall begin on January 1 and end on December 31 of each year, except for the first fiscal year which shall begin on the date of incorporation, and unless later modified by the Board of Directors on the recommendation of a Certified Public Accountant.

14.3 Indemnification. The Association shall indemnify every Director, officer or committee member of the Association who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he or she is or was a Director, officer or committee member of the Association, or is or was serving at request of the Association as a Director, officer or committee member of another corporation, partnership, joint venture, trust or other enterprise of the Association, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful.

The indemnification herein provided shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any by-law, agreement, vote of the members or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office and shall continue as to a person who has ceased to be a

Director, officer or committee member and shall inure to the benefit of the heirs, executors and administrators of such person.

Provided, however, that to the extent that any individual indemnified herein is covered by any insurance, the indemnification herein shall be reduced as to that individual by that amount and each indemnified individual shall be deemed to waive any right of collection or contribution he or she might have thereby. Provided, further, that all such indemnified individuals shall, if requested by the Board, cooperate and assist with the Board in collecting any such insurance or other similar payments.

ARTICLE XV **AMENDMENTS**

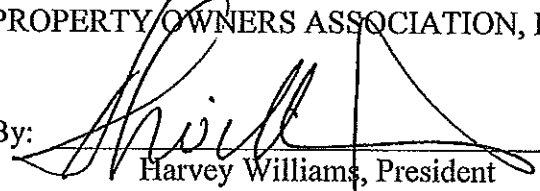
15.1 Amendment. During the Developer Control Period, the Successor Developer expressly reserves the right to unilaterally modify and amend any of the terms, conditions or provisions of these By-Laws at any time and for any purposes upon execution by the Successor Developer, provided all Members are provided a copy of any such amendment. After the expiration of the Developer Control Period, these By-Laws may be amended either by a vote of the Board on the basis of a majority vote present in person and representing at least a quorum of the Board; or, at an Annual or Special meeting of the Members, by a majority vote of the Members of the Association present in person or by proxy, provided a quorum is present at such meeting.

15.2 Conflict. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles of Incorporation will control; in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control. In the event of any conflict between the Articles of Incorporation and the Declaration, the Declaration shall control.

WHEREFORE, these By-laws of The Waterford Estates at Hissom Ranch Property Owners' Association, Inc. are dated effective as of the ____ day of _____, 2009.

WATERFORD ESTATES AT HISSOM RANCH
PROPERTY OWNERS ASSOCIATION, INC.

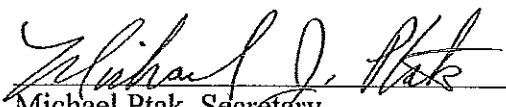
By:


Harvey Williams, President

SECRETARY'S CERTIFICATE

The undersigned, being the Secretary of The Waterford Estates at Hissom Ranch Property Owners Association, Inc., hereby certifies that the foregoing By-Laws were duly adopted by the Members of said Association (the "Association") effective as of the 30th day of June, 2009 and executed by Harvey Williams, as President of the Association effective as of the 30th day of June, 2009.

IN WITNESS WHEREOF, I have signed this certification on this 30th day of June, 2009.


Michael Ptak, Secretary