

MADISON PARK SUBDIVISION OWNERS ASSOCIATION, INC.

BY-LAWS

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MADISON PARK SUBDIVISION OWNERS ASSOCIATION, INC.

BY-LAWS OF ASSOCIATION

I. PURPOSE

The Madison Park Subdivision Owners Association, Inc., a Texas non-profit corporation (hereinafter referred to as the "Association") is organized and shall be operated exclusively as a homeowners association within the meaning of Section 528 of the Internal Revenue Code of 1986, as amended, or the corresponding provision or provisions of any subsequent United States Internal Revenue law or laws.

The primary purposes of the Association are: to own, lease, or license the Common Area (as defined in the Declaration) situated in Madison Park Subdivision, Phase I, a development consisting exclusively of single family residential dwellings in Hidalgo County, Texas; to govern, operate, and maintain the Common Area; and to require architectural control and compliance with those covenants and restrictions set forth in the Declaration of Covenants, Conditions, and Restrictions for Madison Park Subdivision, Phase I (herein referred to as the "Declaration"), dated the 7th day of February, 2007, executed by J.Q.S. Investments, L.P. (hereinafter referred to as the "Declarant"), and recorded under Document Number 1719908, Official Records of Hidalgo County, Texas, as amended or restated.

II. DEFINITIONS AND INTERPRETATION

When used in these By-laws, unless the context otherwise specifies or requires, the following words and phrases shall have the meanings hereinafter specified:

- (a) **"Articles"** means the Certificate of Formation of Madison Park Subdivision Owners Association, Inc., which will be filed in the office of the Secretary of State of the State of Texas, as the same may from time to time be amended.
- (b) **"Assessment"** means any assessments levied by the Association under the terms and provisions of the Declaration.
- (c) **"Association Property"** means all real or personal property now or hereafter owned by the Association, including, but not limited to, all easement estates, licenses, leasehold estates, and other interests of any kind in and to real or personal property which are now or hereafter owned or held by the Association.
- (d) **"Association Restrictions"** means the Declaration as the same may be amended from time to time, together with the Articles, By-laws, Committee Rules, and Association Rules from time to time in effect.
- (e) **"Association Rules"** means the rules and regulations adopted by the Board pursuant to the Declaration, as the same may be amended from time to time.
- (f) **"Board"** means the Board of Directors of the Association.
- (g) **"By-laws"** means the By-laws of the Association which may be adopted by the Board and as from time to time amended.

- (h) **"Lot"** means any parcel(s) of land within the Property, together with all improvements located thereon.
- (i) **"Member"** means any person(s), entity, or entities holding membership privileges in the Association as provided in the Declaration.
- (j) **"Mortgage"** means any mortgages or deeds of trust covering any portion of the Property given to secure the payment of a debt.
- (k) **"Mortgagee"** means the holder or holders of any lien or liens upon any portion of the Property.
- (l) **"Owner"** means the person(s), entity, or entities, including Declarant, holding a fee simple interest in any Lot, but shall not include the Mortgagee of a Mortgage.
- (m) **"Property"** means and refers to that tract or parcel of land situated in Hidalgo County, Texas, which is more fully described in the Declaration.

Words importing the singular number also include the plural, and vice versa, and words importing the masculine gender include the feminine gender or neuter, and vice versa, and words importing persons include firms and corporations, and vice versa, where the context so requires.

III. MEETING OF MEMBERS

3.1 ANNUAL MEETINGS

The first annual meeting of the Members shall be held within one (1) year from the date of incorporation of the Association. Each subsequent annual meeting shall be scheduled each year at the discretion of the Board as may be permitted by law and designated in the notice of meeting.

3.2 SPECIAL MEETINGS

Special meetings of the Members may be called at any time by the President or the Board, or upon written request of the Members who are entitled to vote fifty-one percent (51%) or more of the votes of the Association.

3.3 PLACE OF MEETINGS

All annual and special meetings of the Members shall be held at 520 W. Pecan Blvd., McAllen, Texas 78501 or at such other suitable and convenient place as may be permitted by law and from time to time fixed by the Board and designated in the notices of such meetings.

3.4 NOTICE OF MEETINGS

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 such notice, postage prepaid, at least ten (10) and no more than fifty (50) days prior to any such meeting, to each Member entitled to vote at the meeting, addressed to the Member's last known address, or as applicable under the Declaration for annual assessments.

Any such notice shall specify the place, date, and time of the meeting, and, in the case of a special meeting, the purpose of the meeting.

3.5 QUORUM

Except as otherwise required or allowed by the terms of the Declaration with regard to amendment of the Declaration, the quorum required for any action authorized to be taken by the Members pursuant to these By-laws shall be the presence at the meeting of Members, or of proxies, entitled to cast ~~ten~~ percent (10%) of all votes of the Members. Notwithstanding anything else to the contrary in these By-laws, the Articles, or the Declaration, the Members present at any annual or special meeting for which proper notice has been provided as required by these By-laws shall constitute a quorum for any action.

If, however, such quorum is not present or represented at any meeting, the Members entitled to vote at the meeting shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented.

3.6 PROXIES

At any and all meetings of Members, each Member may vote in person or by proxy. Any and all proxies must be in writing and filed with the Secretary no later than the start of the meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot. In the absence of the Secretary, any member of the Board may receive proxies for filing and preserving among the records of the Association.

3.7 VOTING RIGHTS

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

- (a) Each Member (including Declarant) shall have one (1) vote for each Lot, as such term is defined in the Declaration, so owned.
- (b) In addition to the votes to which it is entitled by reason of Section 3.7(a), for every one (1) vote outstanding in favor of any other person or entity, Declarant shall have ten (10) votes until the votes described in Section 3.7(a), which are owned by persons or entities other than Declarant, total, in aggregate, ninety percent (90%) of the total number of votes. Thereafter, Declarant shall have only the votes, if any, to which it is entitled under Section 3.7(a).
- (c) The holder of more than one (1) vote may both make a motion and second such motion for any purpose.

~~(d) In no case may a Member cast any vote, whether at a meeting or as board member, unless such Member is in good standing in that he or she owes no assessments, fines, or fees.~~

3.8 ORDER OF BUSINESS

The order of business at all meetings of the Members shall be as follows:

- (a) ~~Call to order.~~
- (b) Proof of notice of meeting or waiver of notice
- (c) Reading of minutes of preceding meeting
- (d) Reports of officers
- (e) Reports of committees
- (f) Election of Directors, if applicable
- (g) Unfinished business

- (h) New business

3.9 MOTIONS

All motions or matters proposed for consideration by Declarant at any annual meeting, special meeting, or other meeting of the Association shall be considered and voted upon by Members, regardless of whether Declarant's motion or other matter proposed for consideration has been seconded by any other Member of the Association.

3.10 ADJOURNED MEETING

If any meeting of the Members cannot be organized because a quorum has not attended, the Members who are present, either in person or by proxy, may adjourn the meeting until the required quorum is attained, as provided in Section 3.5.

IV. BOARD OF DIRECTORS

4.1 NUMBER

The affairs of the Association shall be governed by a Board of Directors composed of at least three (3) but not more than seven (7) persons. The initial directors shall be set at three persons, and may be added thereto by the Members at any regularly convened meeting, but at no time shall there be other than an odd number of directors. The members of the Board of Directors shall act in such capacity and shall manage the affairs of the Association until their successors are elected. Only Members who have single family homes fit for habitation shall be eligible to serve as a member of the Board of Directors.

4.2 TERM OF OFFICE

Directors shall be elected for a term of three (3) years.

A Director shall cease to be eligible to serve as a Director on the date the Director ceases to own any Lot or other real property in the Property.

4.3 REMOVAL AND VACANCIES

Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation, or removal of a Director, his successor shall be selected by the remaining members of the Board and shall serve out the remaining term of his predecessor.

4.4 COMPENSATION

No Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties, upon approval by the other members of the Board of Directors.

4.5 ACTION TAKEN WITHOUT A MEETING

The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

4.6 POWERS AND DUTIES

The Board shall have the powers and duties necessary for the operation and maintenance of the Association Property and the administration of the other responsibilities and affairs of the Association, including, but not limited to, the powers and duties set forth in the Declaration. Subject to the provisions of the preceding sentence, the Board may do all such acts and things that are not by these By-laws or by the Declaration reserved to the exclusive power to act by the Members.

4.7 ADDITIONAL POWERS AND DUTIES

The Board shall have the following additional powers and duties:

- (a) To administer and enforce the covenants, conditions, restrictions, uses, limitations, obligations, and other provisions of the Declaration.
- (b) To establish and enforce rules, conditions, restrictions, limitations, and other provisions necessary for the orderly operation, use and maintenance of the Association Property.
- (c) To adopt and publish the Association Rules, including regulations governing the use of the Association Property and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof. A copy of such rules shall be delivered or mailed to each Member promptly upon the adoption thereof.
- (d) To keep in good order, condition, and repair the Association Property.
- (e) To fix, levy, and collect the initiation fee, Assessments, abeyance fees, other fees, and fines to be paid by each Owner in accordance with the terms of the Declaration as amended from time to time; and by majority vote of the Board to decrease or increase such fees and Assessments, subject to the provisions of the Declaration; to levy and collect special Assessments in order to meet increased operating expenses and costs for which a special Assessment is authorized under the Declaration. All Assessments shall be in itemized statement form and shall set forth in detail the various expenses for which the Assessments are being made.
- (f) To collect delinquent fees, fines, or assessments by suit, lien foreclosure, or otherwise, and to enjoin or seek damages from an Owner for violation of the Declaration or the Association Rules.
- (g) To protect and defend the Association Property from loss and damage by suit or otherwise.
- (h) To borrow funds in order to pay for any required expenditure or outlay; to execute all such instruments evidencing such indebtedness; and to mortgage, pledge, or hypothecate any or all Association Property as security for money borrowed or debts incurred in connection with the affairs of the Association.
- (i) To establish a bank account for the common treasury for all separate funds which are required or may be deemed advisable by the Board.
- (j) To maintain complete and accurate books and records showing all of the receipts, expenses, or disbursements and to permit examination thereof at any reasonable time by each of the Members and any Mortgagee. The Association shall cause to be prepared and delivered annually to each Member, a statement showing all receipts, expenses, or disbursements since the last such statement. Such financial statements shall be available to any Mortgagee, on request, within ninety (90) days following the fiscal year end of the Association. Any Member may require that

the Association cause to be prepared and delivered, at such Member's expense, an audited financial statement of the Association. In addition, each Member shall have the right to inspect the books and records of the Association during normal business hours.

- (k) In general, to carry on the administration of the Association and to further the communal use and enjoyment of the Association Property.

4.8 COMMITTEES

The Board may establish one or more advisory committees and committees for the purpose of administering or managing the Association Property, or routine or special projects of the Association. The Board may appoint the members of such committees by procedures to be established by the Board. Members and those residing on the Property shall be eligible to serve on such advisory committees.

4.9 ELECTION

Election to the Board may be by secret written ballot. At such election, the Members or their proxies may cast, with respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

V. MEETINGS OF DIRECTORS

5.1 REGULAR MEETINGS

Regular meetings of the Board shall be held annually or at such other frequency as determined by the Board, at such place and time as may be fixed from time to time by resolution of the Board. Notice of regular meetings of the Board shall be given to each Director, either personally, or by telephone or facsimile transmission at least three (3) days prior to such meeting, or by deposit of notice in the U.S. Mail, postage prepaid, at least seven (7) days prior to such meeting.

5.2 SPECIAL MEETINGS

Special meetings of the Board may be called by the President of the Association or by any two (2) Directors. The President or Secretary shall give written notice to each Director of the time, place, and purpose of the meeting, either personally, by telephone, or by facsimile transmission at least three (3) days prior to the day named for such meeting, or by deposit of notice in the U.S. Mail, postage prepaid, at least seven (7) days prior to the day named for such meeting.

5.3 TELEPHONE MEETINGS

The Board may participate in and hold a meeting by means of conference telephone or similar communication equipment by which all persons participating in the meeting can hear one another. Participation in such a meeting shall constitute presence in person, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened. Special notice of any action by telephone meeting shall be posted on any sign or marquee, and on any website maintained by the Association as soon as practicable after such action. Any such notice on a website shall disclose how each Director voted on any such action.

5.4 WAIVER OF NOTICE

Before or at any meeting of the Board, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

5.5 QUORUM

At all meetings of the Board, a majority of Directors shall constitute a quorum for the transaction of business, and the act of the majority of the Directors present at the meeting at which a quorum is present shall be the act of the Board. If, at any meeting of the Board, there is less than a quorum present, the majority of those present may adjourn the meeting from time to time.

5.6 FEES AND FINES

The Board shall adopt rules and fees for applications submitted to the Architectural Control Committee, and for fines associated with enforcement of general upkeep and covenants of records.

VI. OFFICERS

6.1 DESIGNATION

The officers of the Association shall be a President and one or more Vice Presidents, who shall at all times be members of the Board, a Secretary/Treasurer, as well as such other officers as the Board may from time to time create by resolution.

6.2 ELECTION OF OFFICERS

The election of officers shall take place at the first meeting of the Board following each annual meeting of the Members.

6.3 TERM

The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year unless he resigns earlier, or is removed, or is otherwise disqualified to serve.

6.4 SPECIAL APPOINTMENTS

The Board may elect such other officers as the affairs 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.

6.5 RESIGNATION AND REMOVAL

Upon an affirmative vote of the majority of the members of the Board, any officer may be removed, with or without cause, and his successor may be elected at any regular meeting of the Board or at any special meeting of the Board called for such purposes.

Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified

therein, and unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

6.6 VACANCIES

A vacancy in any office may be filled through appointment by the Board. The officer appointed to fill such vacancy shall serve for the remainder of the term of the officer he replaces.

6.7 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 any special offices created pursuant to Section 6.4.

6.8 OFFICES

The duties of the officers are as follows:

(a) President

The President shall be the chief executive officer of the Association. The President shall preside at all meetings of both the Association and the Board, and shall have all the general powers and duties which are usually vested in the office of President of an association, including, but not limited to, the power to appoint committees from among the Members to assist in the administration of the affairs of the Association, and the duty to see that the orders and resolutions of the Board are carried out. The President, or his designated alternate, shall represent the Association at all meetings of the Association.

(b) Vice President

Any Vice President shall generally assist the President and shall have such powers and perform such duties and services as shall, from time to time, be prescribed or delegated to him by the President or the Board. The Vice President shall perform the functions of President in the President's absence.

(c) Secretary

The Secretary shall: record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; serve notice of meetings of the Board and of the Members; keep appropriate current records listing all Members of the Association, together with their current addresses; and perform such other duties as required by the Board.

(d) Treasurer

Any Treasurer shall: receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board; co-sign all checks and promissory notes of the Association; keep proper books of account in appropriate form such that they could be audited by a public accountant whenever ordered by the Board or the membership; and prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular meeting and deliver a copy of each to the Members. In the event that there is no Treasurer currently serving, the President shall be empowered with the Treasurer's duties.

6.9 ASSISTANT OFFICERS

The Board may appoint such assistant secretaries and treasurers as the Board deems to be in the best interest of the Association to carry out the routine and day-to-day operations of the Association, as authorized by the Board.

VII. OBLIGATIONS OF THE OWNERS

7.1 FEES AND ASSESSMENTS

All Owners shall be obligated to pay an initiation fee, Assessments, and other fees and fines imposed by the Association in accordance with the Declaration. A Member shall be deemed to be in good standing and entitled to vote at any annual or special meeting of Members, within the meaning of these By-laws, only if he is current in payment of the initiation fee, Assessments, and other fees and fines levied against him and the Lot owned by him in accordance with the Declaration.

7.2 USE OF THE COMMON AREA

Each Member may use the Association Property in accordance with the purposes for which it is intended, subject to reasonable regulations regarding use, as adopted by the Board. The Board shall have the right to suspend a Member's right to use the Association Property (i) in the event such Member is delinquent in the payment of the initiation fee or any Assessments, as provided in the Declaration, and (ii) for a reasonable period, at the Board's discretion, in response to any infraction of the Association Rules.

The Association shall not grant access to the common areas to any neighboring development, property owner association, or subdivision that does not adopt exclusive single-family residences. In the event the Association does grant access to the common areas, the Association shall charge the entity or individual the fair and proportionate cost for the access and usage.

7.3 GENERAL

Each Owner shall comply strictly with the provisions of the Declaration and shall cause all his tenants, guests, and visitors using any part of the Property to comply with the provisions of the Declaration and any regulations regarding use of the Association Property, as set out by the Association.

7.4 DEBT

In no event shall the homeowner's become responsible or assume any debt antecedent to the formation of the Association. Furthermore, the Association shall have no liability or pay on any liability on the debt existing prior to the Association.

VIII. BOOKS AND RECORDS

The books, records, and papers of the Association shall, at all times during reasonable business hours, be subject to inspection by any Member. The Association Restrictions shall also be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

IX. ASSESSMENTS

As provided in the Declaration, each Member is obligated to pay to the Association Assessments which are secured by a continuing lien upon the property against which the Assessments are made. Assessments shall be due and payable in accordance with the Declaration. Should any Assessment not be paid when due, the Owner responsible for the payment thereof may be charged a late fee by the Board, at such rate as the Board may designate from time to time, and the Association may bring an action against the Owner personally obligated to pay the same or foreclose the lien against the Lot(s) owned by such Owner. In such an event, all costs and reasonable attorney's fees shall be added to the amount of such Assessment.

No Owner may waive or otherwise escape liability for the Assessments provided for herein by nonuse of the Association Property or abandonment of his Lot(s). Notwithstanding any provision herein to the contrary, the Association may only levy Assessments to defray costs which are incurred in furtherance of the sole purpose of the Association as set forth in the Declaration and/or costs which are incurred in connection with the exercise of powers incident to such purpose as set forth in the Declaration.

X. AMENDMENTS TO BY-LAWS

These By-laws may be amended, at a regular or special meeting of Members, by a vote of all the Members of the Association, provided that such amendment has been approved by Members of the Association entitled to cast at least twenty-five percent (25%) of the total number of votes of the Association.

In the event of any conflict between the Articles and these By-laws, the Articles shall control. In the event of any conflict between the Declaration and these By-laws, the Declaration shall control.

XI. MORTGAGES

11.1 NOTICE TO ASSOCIATION

An Owner who Mortgages his Lot shall notify the Association through the President or Secretary, giving the name and address of his Mortgagee. The Association shall maintain such information in a book entitled "Mortgagees of Lots".

11.2 NOTICE OF UNPAID ASSESSMENTS

The Association shall, at the request of a Mortgagee of a Lot, report any unpaid Assessments due from the Owner of such Lot.

XII. ACTIONS WITHOUT MEETINGS

12.1 CONSENT TO ACTION

Any action required or permitted to be taken at any meeting of Members or Directors may be taken without a meeting, without prior notice, and without a vote, if consent to such action is put forth in writing and signed by a sufficient number of Members or Directors as would be necessary to take that action at a meeting at which all persons entitled to vote on the action were present and had voted.

12.2 NOTICE OF ACTION

Prompt notice of the taking of any action by any Members or Directors without a meeting by less than unanimous written consent shall be given to those Members or Directors who did not consent in writing to the action. Every written consent signed by less than all the Members or Directors entitled to vote with respect to the action that is the subject of the consent shall bear the date of signature to each person who signs the consent. No written consent signed by less than all the Members or Directors entitled to vote with respect to the action that is the subject of the consent shall be effective to take such action unless, within sixty (60) days after the date of the earliest dated consent delivered to the Association in the manner required by law, a consent signed by not less than the minimum number of Members or Directors that would be necessary to take the action that is the subject of the consent are delivered to the Association by delivery to its registered office, registered agent, or principal place of business, or by delivery to an officer or agent of the Association having custody of the books in which proceedings of the meetings of Members are recorded. Delivery of such notice shall be by personal delivery, facsimile transmission, or certified or registered mail, return receipt requested. Delivery to the Association's principal place of business shall be addressed to the President or the principal executive officer of the Association. A telegram, telex, cablegram, or similar transmission by a Member or Director, or a photographic, photostatic, facsimile, or similar reproduction of a writing signed by a Member or Director shall be regarded as signed by the Member or Director for the purposes of this Section 12.2.

XIII. NON-PROFIT ASSOCIATION

13.1 NON-PROFIT PURPOSE

The Association is not organized for profit. No Owner, Member, Director, or person from whom the Association may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Association be paid as a salary or compensation to or inure to the benefit of any Director, provided, however that: (i) reasonable compensation may be paid to any Member while acting as an agent or employee of the Association for services rendered in effecting one or more of the purposes of the Association, and (ii) any Director may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association, subject to prior approval of the Board.

13.2 FILING OF PAPERS

The Board shall cause to be filed with all applicable government agencies, such certificates, reports, and other paperwork as necessary to assure that the Association, to the greatest extent possible, retains its tax-exempt status as a Texas non-profit corporation operating exclusively as a homeowners association within the meaning of Section 528 of the Internal Revenue Code of 1986, as amended, or the corresponding provision(s) of any subsequent United States Internal Revenue law(s).

XIV. INDEMNIFICATION

14.1 DEFINITIONS

In this Article XIV:

- (a) "Indemnitee" means (i) any present or former director, advisory director or officer of the Association; (ii) any person who, while serving in any of the capacities referred to in clause (i) hereof, served at the Association's request as a director, officer, partner, venturer, proprietor,

trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise; and (iii) any person nominated or designated by (or pursuant to authority granted by) the Board or any committee thereof to serve in any of the capacities referred to in clauses (i) and (ii) hereof.

- (b) "Official Capacity" means (i) when used with respect to a Director, the office of the Director, and (ii) when used with respect to a person other than a Director, the elective or appointive office of the Association held by such person, or the employment or agency relationship undertaken by such person on behalf of the Association, but in each case does not include service for any other foreign or domestic corporation, or any partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise.
- (c) "Proceeding" means any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, arbitral or investigative, any appeal in such an action, suit or proceeding, and any inquiry or investigation that could lead to such an action, suit or proceeding.

14.2 INDEMNIFICATION

The Association shall indemnify every Indemnitee against all judgments, penalties (including excise and similar taxes), fines, amounts paid in settlement, and reasonable expenses actually incurred by the Indemnitee in connection with any Proceeding in which he was, is, or is threatened to be named a defendant or respondent, or in which he was or is a witness without being named a defendant or a respondent, by reason, in whole or in part, of his serving or having served, or having been nominated or designated to serve, in any of the capacities referred to in Section 14.1(a), if it is determined that the Indemnitee, in accordance with Section 14.4. (i) conducted himself in good faith; (ii) reasonably believed, in the case of conduct in his Official Capacity, that his conduct was in the Association's best interests and, in all other cases, that his conduct was, at the least, not opposed to the Association's best interests; and (iii) in the case of any criminal proceeding, had no reasonable cause to believe that his conduct was illegal. Such indemnification is provided, however, that in the event that an Indemnitee is found liable to the Association or is found liable on the basis that personal benefit was improperly received by the Indemnitee, the indemnification (i) is limited to reasonable expenses actually incurred by Indemnitee in connection with the Proceeding and (ii) shall not be made in respect of any Proceeding in which Indemnitee shall have been found liable for willful or intentional misconduct in the performance of his duty to the Association.

Except as provided in the immediately preceding proviso to the first sentence of this Section 14.2, no indemnification shall be made under this Section 14.2 in respect of any Proceeding in which such Indemnitee shall have been (i) found liable on the basis that personal benefit was improperly received by him, whether or not the benefit resulted from an action taken in the Indemnitee's Official Capacity, or (ii) found liable to the Association.

The termination of any Proceeding by judgment, order, settlement, or conviction, or on a plea of *nolo contendere* or its equivalent, is not of itself determinative that Indemnitee did not meet the requirements set forth in clauses (i), (ii), or (iii) in the first sentence of this Section 14.2. An Indemnitee shall be deemed to have been found liable in respect of any claim, issue, or matter only after the Indemnitee shall have been so adjudged by a court of competent jurisdiction after exhaustion of all appeals therefrom. Reasonable expenses shall include, but are not limited to, all court costs and all fees and disbursements of attorneys for the Indemnitee.

14.3 SUCCESSFUL DEFENSE

If an Indemnatee has been wholly successful, on the merits or otherwise, in defense of a Proceeding in which he is a witness or a named defendant or respondent because he served in any of the capacities referred to in Section 14.1(a), the Association, without limitation of Section 14.2 and in addition to the indemnification provided for in Section 14.2, shall indemnify the Indemnatee against reasonable expenses incurred by Indemnatee in connection with such a Proceeding.

14.4 DETERMINATIONS

Any indemnification under Section 14.2 (unless ordered by a court of competent jurisdiction) shall be made by the Association only upon a determination that indemnification of the Indemnatee is proper in the circumstances because he has met the applicable standard of conduct.

Any such determination shall be made (i) by the Board by a majority vote of a quorum consisting of Directors who, at the time of such vote, are not named as defendants or respondents in the Proceeding; (ii) if such a quorum cannot be obtained, then by a majority vote of all Directors (in which designation Directors who are named defendants or respondents in the Proceedings may participate), such committee to consist solely of two (2) or more Directors who, at the time of the committee vote, are not named defendants or respondents in the Proceeding; (iii) by special legal counsel chosen by the Board or a committee thereof by vote as set forth in clauses (i) or (ii) of this Section 14.4, or, if the requisite quorum of Directors cannot be obtained and such committee cannot be established, by a majority vote of all Directors (including any Directors who are named defendants or respondents in the Proceeding); or (iv) by the Members in a vote that excludes the Directors who are named defendants or respondents in the Proceeding.

Determination of "reasonable expenses" shall be made in the same manner as the determination of indemnification, except that if the determination that indemnification is permissible is made by special legal counsel, the determination of "reasonable expenses" must be made in the manner specified in clause (iii) of the preceding paragraph for the selection of special legal counsel.

In the event that the Indemnatee has met the applicable standard of conduct as to some matters but not as to others, amounts to be indemnified may be reasonably prorated.

14.5 PAYMENT OF EXPENSES

Any reasonable expenses (including court costs and attorney's fees) incurred by an Indemnatee who was or is a witness, or who is or is threatened to be named a defendant or respondent in a Proceeding, shall be paid by the Association at reasonable intervals prior to the final disposition of such Proceeding, without making any of the determinations specified in Section 14.4, after receipt by the Association of (i) a written affirmation by such Indemnatee that he believes in good faith that he has met the standard of conduct necessary for indemnification by the Association under this Article XIV and (ii) a written undertaking by or on behalf of such Indemnatee to repay the amount paid or reimbursed by the Association if Indemnatee is ultimately determined by the Association to not be entitled to indemnification, as authorized in this Article XIV. Such written undertaking shall be an unlimited obligation of the Indemnatee, but need not be secured and it may be accepted without reference to any financial ability to repay such sums. Notwithstanding any other provision of this Article XIV, the Association may pay or reimburse expenses incurred by an Indemnatee in connection with his appearance as a witness or other participation in a Proceeding in which he is not named a defendant or respondent in the Proceeding.

14.6 OTHER INDEMNIFICATION AND INSURANCE

The indemnification provided in this Article XIV shall (i) not be exclusive of, or preclude, any other rights to which those seeking indemnification may at any time be entitled under the Articles, any applicable law, agreement or vote of Members or disinterested Directors, or otherwise, or under any policy or policies of insurance purchased and maintained by the Association on Indemnitee's behalf, both as to action in his Official Capacity and as to action in any other capacity, (ii) continue as to a person who has ceased to be in the capacity by reason of which he was an Indemnitee with respect to matters arising during the period he was in such capacity, and (iii) inure to the benefit of the heirs, successors, and assigns of such Indemnitee.

14.7 NOTICE

Any indemnification of an Indemnitee or any payment of expenses to an Indemnitee in accordance with this Article XIV shall be reported in writing to the Members, with or before the notice or waiver of notice of the next meeting of the Members, or with or before the next submission to the Members of a consent to action without a meeting. Any such notice shall occur within the twelve (12) month period immediately following the date of indemnification or advance.

14.8 INVALIDITY

The indemnification provided by this Article XIV shall be subject to all valid and applicable laws, including, but not limited to, Article 2.02-1 of the Texas Business Association Act, and, in the event this Article XIV or any of the provisions herein, or the indemnification contemplated hereby, are found to be inconsistent with or contrary to any such laws, the applicable laws shall be deemed to control and this Article XIV shall be regarded as modified accordingly, and, as so modified, to continue in full force and effect.

14.9 CONTINUING OFFER, RELIANCE, ETC.

The provisions of this Article XIV (i) are for the benefit of, and may be enforced by, each Indemnitee of the Association the same as if set forth in their entirety in a written instrument duly executed and delivered by the Association and such Indemnitee, and (ii) constitute a continuing offer to all present and future Indemnitees.

By the adoption of these By-laws, the Association (i) acknowledges and agrees that each Indemnitee of the Association has relied upon and will continue to rely upon the provisions of this Article XIV in becoming, and serving in any of the capacities referred to in Section 14.1(a) herein, (ii) waives reliance upon, and all notices of acceptance of, such provisions by such Indemnitees, and (iii) acknowledges and agrees that no present or future Indemnitee shall be prejudiced in his right to enforce the provisions of this Article XIV in accordance with their terms by any act or failure to act on the part of the Association.

14.10 EFFECT OF AMENDMENT

No amendment, modification, or repeal of this Article XIV or any provision hereof shall, in any manner, terminate, reduce, or impair the right of any past, present, or future Indemnitees to be indemnified by the Association, nor the obligation of the Association to indemnify any such Indemnitees under and in accordance with the provisions of this Article XIV as in effect immediately prior to such amendment, modification, or repeal with respect to claims arising from, or relating to, matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.


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XV. MISCELLANEOUS

The fiscal year of the Association shall begin on the first (1st) day of January and end on the thirty-first (31st) day of December of every year, with the exception of the first fiscal year, which shall begin on the date of incorporation.

XVI. CERTIFICATION

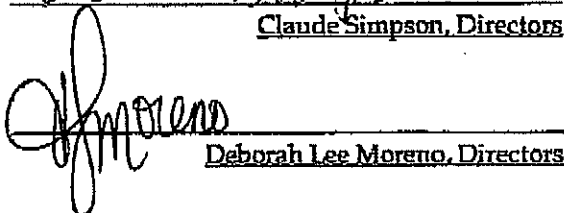
IN WITNESS WHEREOF, we, being all of the Directors of Madison Park Subdivision Owners Association, Inc., have hereunto set our hands this 1 day of October, 2010.



Claudia Reyna, Directors



Claude Simpson, Directors



Deborah Lee Moreno, Directors

