



The State of Texas

Secretary of State

MAY 28, 1997

JAMES DUNAWAY ATTORNEY AT LAW
718 WEST DIVISION
ORANGE ,TX 77631

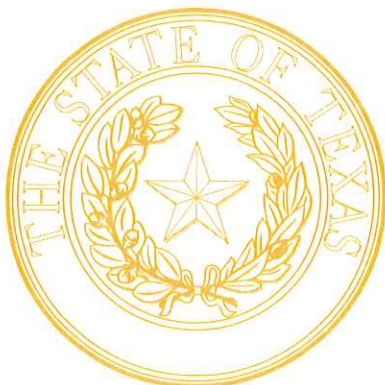
RE:
WATERWOOD COMMUNITY ASSOCIATION, INC.

CHARTER NUMBER 01447403-01

IT HAS BEEN OUR PLEASURE TO APPROVE AND PLACE ON RECORD THE ARTICLES OF INCORPORATION THAT CREATED YOUR CORPORATION. WE EXTEND OUR BEST WISHES FOR SUCCESS IN YOUR NEW VENTURE.

AS A CORPORATION, YOU ARE SUBJECT TO STATE TAX LAWS. SOME NON-PROFIT CORPORATIONS ARE EXEMPT FROM THE PAYMENT OF FRANCHISE TAXES AND MAY ALSO BE EXEMPT FROM THE PAYMENT OF SALES AND USE TAX ON THE PURCHASE OF TAXABLE ITEMS. IF YOU FEEL THAT UNDER THE LAW YOUR CORPORATION IS ENTITLED TO BE EXEMPT YOU MUST APPLY TO THE COMPTROLLER OF PUBLIC ACCOUNTS FOR THE EXEMPTION. THE SECRETARY OF STATE CANNOT MAKE SUCH DETERMINATION FOR YOUR CORPORATION.

IF WE CAN BE OF FURTHER SERVICE AT ANY TIME, PLEASE LET US KNOW.



VERY TRULY YOURS,

A handwritten signature in black ink, appearing to read "A. Garza, Jr.", written over a horizontal line.

Antonio O. Garza, Jr., Secretary of State



The State of Texas
Secretary of State

CERTIFICATE OF INCORPORATION
OF

WATERWOOD COMMUNITY ASSOCIATION, INC.
CHARTER NUMBER 01447403

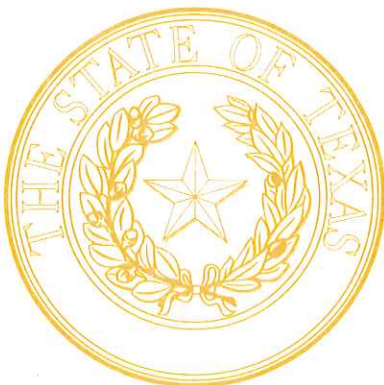
THE UNDERSIGNED, AS SECRETARY OF STATE OF THE STATE OF TEXAS,
HEREBY CERTIFIES THAT THE ATTACHED ARTICLES OF INCORPORATION FOR THE
ABOVE NAMED CORPORATION HAVE BEEN RECEIVED IN THIS OFFICE AND ARE
FOUND TO CONFORM TO LAW.

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

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

DATED MAY 27, 1997

EFFECTIVE MAY 27, 1997




Antonio O. Garza, Jr., Secretary of State

COPY

**Articles of Incorporation
of
Waterwood Community Association, Inc.**

In compliance with the requirements of the Texas Non-Profit Corporation Act, the undersigned, all of whom are citizens of the State of Texas and all of whom are above the age of twenty-one (21) years, have this day associated themselves together for the purpose of forming a non-profit corporation and do hereby certify:

FILED
Office of the
Secretary of State of Texas

MAY 27 1997

Corporations Section

Article I

The name of the corporation is WATERWOOD COMMUNITY ASSOCIATION, INC., hereinafter called the "Association."

Article II

The initial registered office of the Association is located at Highway 87 South, Route 5, Post Office Box 1460-A, in Orange County, Texas 77630, and Danny Blacksher, whose address is the same, is hereby appointed the initial registered agent of the Association.

Article III

The duration of the corporation shall be perpetual.

Article IV

Purpose and Powers of the Association

This Association is a non-profit corporation and the specific purposes for which it is formed are to provide for preservation and architectural control of the residence Lots and single-family land, and construction, operation, maintenance, preservation and architectural control of any Common Area which may be owned, acquired or controlled by the Association in the Waterwood Estates Subdivision in Orange County, Texas, as now or hereafter shown upon the plat records of Orange County, Texas; and to promote the health, safety and welfare of the residents within the above described subdivision.

In furtherance of said purposes, this Association shall have the power to:

- A. Exercise all of the powers and privileges and perform all of the duties and obligations of the Association as set forth in that certain Declaration of Covenants, Conditions and Restrictions, hereinafter called the "Declaration," applicable to the aforesaid property and recorded or to be recorded in the Deed Records of Orange County, Texas, and as the same may be amended from time to time as therein provided, said Declaration being incorporated herein by reference as if set forth verbatim;

- B. Fix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the items of the Declaration; pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied or imposed against the property of the Association;
- C. Acquire (by gift, purchase or otherwise), own, hold improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association;
- D. Borrow money, and with the assent (by vote or written consent) of two-thirds (2/3) of the Members, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.
- E. Dedicate, sell or transfer all or part of the Common Area to any public agent, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless an instrument has been signed by two-thirds (2/3) of the Members, agreeing to such dedication, sale or transfer;
- F. Participate in mergers and consolidations with other non-profit corporations organized for the same purposes provided that any such merger or consolidation shall have the assent of two-thirds (2/3) of the Members;
- G. Have and to exercise any and all powers, rights and privileges which a corporation organized under the Texas Non-Profit Corporation Act by law may now or hereafter have or exercise.

Article V

Membership

Every person or entity who is record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, including contract sellers, shall be a Member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to, and may not be separated from, ownership of any Lot which is subject to assessment by the Association. The Declarant shall be a member of the Association and shall be exempt from assessment by the Association if it owns legal title to any lot in Waterwood Estates Subdivision which has not been conveyed to a third party by Contract of Sale or Deed, provided however, that no land or improvements devoted to residential use shall be exempt from such assessments.

Article VI

Voting Rights

Members in good standing shall be entitled to the voting rights, described hereunder, on any matter submitted to a vote of the Members. In all Association matters requiring a vote, except for the election of directors, each Member shall be entitled to one (1) vote for each Lot owned by said Member. For the election of Directors, the Association shall have three (3) classes of voting membership:

Class "A." The Class "A" Member(s) shall be all Owners of a Lot in Waterwood Estates which have a Residence constructed on them, including the Declarant, and shall be entitled to three (3) votes for each Lot with a Residence. When more than one person holds an interest in any Lot and Residence, all such persons shall be Members. The vote of such Lot and Residence shall be exercised as they among themselves determine; provided, however, that in no event shall more than three (3) votes be cast with respect to any Lot with a Residence constructed thereon.

Class "B." The Class "B" Member(s) shall be all Owners of vacant Lots, with the exception of the Declarant, and shall be entitled to one (1) vote for each vacant Lot. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote of such Lot shall be exercised as they among themselves determine; provided, however, that in no event shall more than one (1) vote be cast with respect to any vacant Lot.

Class "C." The Class "C" Member(s) shall be the Declarant, and shall be entitled to five (5) votes for each vacant Lot owned in an annexed phase that is under development. The Class C membership shall cease and be converted to Class A or Class B membership, as the case may be, at the expiration of ten (10) years after the date of the Declaration, provided that if a Section Declaration is filed annexing additional land at any time or times prior to expiration of said ten (10) year period, such period shall be extended each time until the expiration of three (3) years from the date of filing of the last such Supplemental Section Declaration. Upon the conversion of Class C to Class A or Class B membership, no action may be taken by the Association which would serve to impede the installation of Common Area facilities substantially represented in plans of public record except with the assent of the Declarant and other as may have been party to a common understanding of Common Area development commitments.

Article VII

Limitations of Methods

The Association, in its activities and affairs, shall be nonpartisan and nonsectarian, and shall take no part in or lend its influence to the election or appointment of any candidate for public office.

Article VIII

Board of Directors

The activities and affairs of the Association shall be managed by a board of directors, who shall be Members of the Association.

The number of directors which shall constitute the whole board shall be such as from time to time shall be fixed by, or in the manner provided in, the By-Laws, but in no case shall the number be less than nine (9). The board of directors shall be elected by the Members at the annual meeting of the Association to be held on such date as the By-Laws may provide, and shall hold office until their successors are respectively elected and qualified. The By-Laws shall specify the number of directors necessary to constitute a quorum.

The board of directors is expressly authorized to make, alter, amend or repeal, in whole or in part, the By-Laws of this Association with an affirmative two-thirds (2/3) vote of the board of directors.

The board of directors may, by resolution or resolutions, passed by a majority of the whole board, designate one or more committees which, to the extent provided in said resolution or resolutions or in the By-Laws of the Association, shall have and may exercise all the powers of the board of directors in the management of the activities and affairs of the Association and may have power to authorize the seal of the corporation to be affixed to all documents which may require it; and such committee or committees shall have such name or names as may be stated in the By-Laws of the Association or as may be determined from time to time by resolution adopted by the board of directors.

The board of directors may elect such officers as the By-Laws may specify, who shall, subject to the provision of the Statute, have titles and exercise such duties as the By-Laws may provide.

The Association may in its By-Laws confer powers upon its board of directors in addition to the foregoing, and in addition to the powers and authorities expressly conferred upon them by the Statute, provided that the board of directors shall not exercise any power of authority conferred herein or by Statute upon the Members.

Articles of Incorporation of Waterwood Community Association, Inc.

The names and addresses of the persons who are to act in the capacity of Directors until the selection of their successors are:

NAME	ADDRESS
Paul Gathright	202 Waterwood Drive, Orange, Texas 77630
Ronny C. Jackson	400 Waterwood Drive, Orange, Texas 77630
Doug Norwood	207 Waterwood Drive, Orange, Texas 77630
Al Peterson	306 Waterwood Drive, Orange, Texas 77630
Steve Pocsik	302 Widgeon Drive, Orange, Texas 77630
Reagan Roy	Route 5, Box 732, Orange, Texas 77630
Robert Stegall	301 Pintail Lane, Orange, Texas 77630
Denzil Thompson	304 Waterwood Drive, Orange, Texas 77630
Belinda Vincent	302 Waterwood Drive, Orange, Texas 77630

At the first annual meeting, the Members shall elect three (3) directors for a term of one (1) year, three (3) directors for a term of two (2) years, and three (3) directors for a term of three (3) years; and at each annual meeting thereafter the Members shall elect three (3) directors for a term of three (3) years.

**Article IX
Incorporators**

The name and address of each incorporator is:

NAME	ADDRESS
Danny Blacksher	Highway 87 South, Route 5, Post Office Box 1460-A, Orange, Texas 77630
David Blacksher	Highway 87 South, Route 5, Post Office Box 1460-A, Orange, Texas 77630

