

BYLAWS OF
THE HOMEOWNERS' ASSOCIATION FOR ARBOR CREEK, INC.
(A Non-Profit Corporation)

ARTICLE I

GENERAL

Section 1 Name. The name of the organization shall be The Homeowners, Association for Arbor Creek, Inc.

Section 2. Applicability. These Bylaws provide for the self-government of Arbor Creek, Subdivisions, a planned community in Travis County, Texas, locally known as Kuempel Tract Phase 2, Section 3, which are or hereafter become subject to the Arbor Creek DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS RELATING TO COMMON AREAS dated December 1, 2002, and filed of record as Document Number TRV200200319, Official Records, Travis County, Texas. This document and any amendments thereto shall hereinafter be referred to as the "Declaration" and all property Subject to its covenants, conditions and restrictions shall hereinafter be referred to as the "Property." Unless otherwise expressly defined herein, all capitalized terms shall be construed to have the meanings assigned to them in the Declaration.

Section 3. Declarant. "Declarant" shall mean Legacy/Monterey Homes, L.P, its duly authorized representatives or their respective successors or assigns.

Section 4. Common Properties "Common Properties" shall mean that portion of the Property owned, leased, operated and/or managed by the Association for the common use and enjoyment of the Members of the Association including, but not limited to all parks, recreational facilities, community streets to the extent not owned by appropriate governmental authorities), walkways, parking lots, pipes, wires conduits and other public utility lines situated thereon (to the extent not owned by appropriate governmental authorities or by local utility companies). The Common Properties to be owned by the Association shall include (i) those areas of land shown on any recorded plat of a single family subdivision located within the Property and identified thereon as "Common Area", "Greenbelt", or "Amenity Area" and (ii) those areas of land conveyed, leased, dedicated or assigned to the Association by Declarant or by a third party with the consent of Declarant, for maintenance and operation.

Section 5. Lot. "Lot" or "Lots" shall mean any single family lot within a Subdivision, together with all Improvements located thereon.

Section 6. Potential Lot. "Potential Lots" shall be calculated by multiplying the number four (4) times the number of acres of land proposed for single family development within the Property, owned by the Declarant and which are not within a Subdivision.

Section 7. Lot Owner "Lot Owner" shall mean and refer to the record owner, whether one or more persons or entities, of title to a Lot or Lots or Potential Lots, including, but not limited to, a developer, builder, or other person or entity holding title to a developed or undeveloped Lot or Lots, but specifically excluding a person or entity with an interest in a Lot or Lots merely as security for the performance of an obligation.

Section 8. Compliance. All Lot Owners within the Property as well as their tenants, agents, patrons, employees invitees, guests and any other person that might use the Common Properties shall comply with these Bylaws. The mere acquisition or rental of any of The Lots within the Property or the mere act of use or occupancy will signify that these Bylaws are accepted, ratified and will be strictly followed.

ARTICLE 2

CORPORATE OFFICE

Section 1. Principal Office. The principal office of the Association shall be Legacy/Monterey Homes L.P., Austin, Texas, unless otherwise determined by the Board of Directors (sometimes hereinafter referred to as the "Board").

Section 2. Other Offices. The Association may also have offices at such other places, both within and without the State of Texas, as the Board of Directors may from time to time determine or the business of the Association may require.

Section 3. Registered Office and Registered Agent. The Association shall have and continuously maintain in the State of Texas a registered office, and a registered agent whose office is identical with such registered office, as required by the Texas Non-Profit Corporation Act. The registered office may be, but need not be, identical with the principal office of the Association in the State of Texas, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE 3

MEMBERS

Section 1. Composition of Membership. All Lot Owners shall be Members of the "Association", and as such shall have the responsibility for administering the Common Properties, establishing the means and methods of collecting the assessments, arranging for the management of the Association, and performing all of the other acts that may be required to be performed by the Association and by the Declaration. Except as to those matters which the Declaration or these Bylaws specifically requires to be performed by the vote of the Lot Owners or by their First mortgagees, the administration of the foregoing responsibilities shall be performed by the Board of Directors as more particularly set forth in Article 5 hereof. Every record Lot Owner shall automatically become, upon acquisition of title, a "Member" of this Association and be subject to these Bylaws. Membership will cease, without any formal Association action, whenever such Member ceases to own title to a Lot.

Section 2. Voting Rights. Lot Owners shall be, entitled to vote in the Association on the basis of one (1) vote for each Lot or Potential Lot owned. Where there is more than one record Lot Owner ("Co-owners"), all of those Co-owners shall be Members and may attend any meeting of the Association, but only one vote shall be cast with respect to each Lot. Co-owners owning the majority interests in a Lot shall from time to time designate in writing one of their number to vote. Fractional votes among the Co-owners owning a single Lot shall not be allowed. Where no voting Co-owner is designated or if the designation has been revoked, the vote for the Lot shall be exercised as the Co-owners owning majority interests in the Lot mutually agree. No votes shall be cast for any Lot if the majority of the Co-owners present in person or by proxy and representing such Lot cannot agree to said vote. The non-voting Co-owner or Co-owners shall be jointly and severally responsible for all of the obligations imposed upon the jointly-owned Lot and shall be entitled to all other benefits of ownership. All corporate Owners must deliver to the Board of Directors a resolution of the Board of Directors of the corporate Owner executed by an officer of such corporate Owner designating an agent, to vote for such corporate Owner on Association matters. Any other Owner (except for an Owner who is a natural person) must deliver to the Board of Directors such documents as the Board of Directors may reasonably require to evidence the designation of an agent to vote for such Owner on Association matters. All agreements and determinations lawfully made by the Association in accordance with the voting allocations established herein or in the Declaration affecting the Property, shall be binding on all Owners, their heirs administrators, successors and assigns.

Section 3. Votes Required for Passage. At a meeting at which a quorum is present, the vote of the Members holding a majority of the, votes represented in person or by proxy shall decide any question brought before the meeting, unless the question is one upon which the vote of a greater number is required by law, the Articles of Incorporation, the

Declaration or these Bylaws. The Members present or represented at a meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

Section 4. Proxy A Member may vote either in person or by proxy executed in writing by the Member or his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. Each proxy shall be revocable unless expressly made irrevocable on its face and unless otherwise made irrevocable by law; provided, however, notwithstanding the foregoing, every proxy shall be revocable and shall automatically terminate upon conveyance by a Member of his Lot. Each proxy shall be filed with the Secretary prior to or at commencement of the meeting.

Section 5. No Cumulative Voting. At each, election for directors, each Class A Member entitled to vote shall have the right to vote, in person or by proxy, one vote for each Lot owned for each director to be elected and each Class B Member shall have three (3) such votes for each lot owned by it. Cumulative voting shall not be permitted.

Section 6. Voting Method. Voting on any question or in any election may be by voice vote or show of hands, unless the presiding officer shall order, or any Member shall demand, that the voting be by written secret ballot.

ARTICLE 4

MEETINGS OF MEMBERS

Section 1. Meeting Date. The first annual meeting of the Members, for the purpose of electing directors and transacting such other business as may properly be brought before the meeting, shall be held within one year from the date of incorporation of the Association, and subsequent annual meetings of the Members shall be held within one hundred twenty (120) days after the end of the fiscal year of the Association at such hour as shall be determined and mandated in the notice of said meeting, if such day is not a Sunday or legal holiday in said state; if such day falls on a Sunday or legal holiday in said state, then such annual meeting shall be held on the first business day following which is not a legal holiday in said state.

Section 2. Meeting Place. All meetings of the Members shall be held at the principal office of the Association or at such other place, within the State of Texas, as may be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 3. Failure to Hold Annual Meeting. Failure to hold the annual meeting at the designated time shall not work as a dissolution of the Association. In the event the Board of Directors fails to call the annual meeting at the designated time, any Member may make demand that such meeting be held within a reasonable time. Such demand shall be made in writing by certified mail directed to any officer of the Association. The annual meeting shall thereafter be called within sixty (60) days following such demand.

Section 4. Special Meetings. Special meetings of the Members for any purpose or Purposes may be called by the President, the Board of Directors or the holders of not less than one-tenth (1/10) of all the, votes entitled to vote at the meetings. No business other than that specified in the notice of meeting shall be transacted at a special meeting.

Section 5. Notice of Meetings.

5.1. Written Notice. Written or printed notice stating the place, day and hour of the meeting and in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered at least fifteen (15) days, but not more than fifty (50) days, before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary or the officer or person or persons calling the meeting, to each Member of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in

the United States mail addressed to the Member at his address as it appears on the membership rolls of the Association, with postage thereon prepaid.

5.2 Waiver. Notice may be waived in writing signed by the person or persons entitled to such notice. Such waiver may be executed at any time before or after the holding of such meeting. Attendance at a meeting shall constitute a waiver of notice, except where the person attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 6. Informal Action By Members. Any action required by law to be taken at a meeting of the Members of the Association, or any action which may be taken at a meeting of the Members, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the Members entitled to vote with respect to the subject thereof. Such consent shall, have the same force and effect as a unanimous vote of Members and may be stated as such in any articles or documents filed with the Secretary of State.

Section 7. Quorum. The Members holding at least thirty-three percent (33%) of the votes entitled to be cast at a meeting of the Members, represented in person or by proxy, as such votes are allocated pursuant to the provisions of these Bylaws and the Declaration, shall constitute a quorum at a meeting of the Members. If a quorum shall not be present or represented at any meeting of the Members, the Members entitled to vote, represented in person or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented any business may be transacted which might have been transacted at the original meeting.

Section 8. Class A Members Committee. At each annual meeting, a Class A Members Committee consisting of the offices of President, Vice-President, Secretary and Treasurer shall be elected by the nominations and voting of Class A Members only. This Committee shall be the official representative of the Class A Members in presenting matters of concern by the residents of the Arbor Creek Subdivisions to the Board of Directors. This committee shall present written reports to the Board of Directors at its own discretion or in response to a request made by the Board of Directors. The Committee may adopt its own rules of procedure and shall keep minutes of any meeting in which a quorum of three or more is present. Such minutes shall be kept at the registered office of the Association for review by Association Members. At the sole discretion of the President of the Association the President of the Class A Members Committee, or other officer if the President is unavailable, may preside over any meeting of Members.

Section 9. Order of Business. The order of business at all meetings of the Association be as follows:

- a) Roll Call;
- b) Proof of Notice of Meeting or Waiver of Notice;
- c) Reading of Minutes of Preceding Meeting;
- d) Reports of Officers and Board of Directors;
- e) Report of Management Agent if any, and if present;
- f) Report of Committees, if any;
- g) Election of Members of the Board of Directors (when so required);
- h) Unfinished Business;
- i) New Business;
- j) Consideration of adequacy of reserves, and
- k) Adjournment.

Section 10 Conduct of Meeting. The President or his designee (e.g., President or other officer of Class A Members Committee) shall preside over all meetings of the Members and the Secretary shall keep the minutes of the meeting and record in a Minute Book of the Association such resolutions that are adopted by the Members as well as a record of all transactions occurring thereat. Robert's Rules of Order (latest edition) as modified by the Board of Directors shall govern the conduct of all meetings of the Association when not in conflict with the Declaration or these Bylaws.

ARTICLE 5

DIRECTORS

Section 1. Management. The business and affairs of the Association shall be managed by the Board of Directors.

Section 2. Number of Directors. The number of directors shall be three (3). The number of directors may be increased or decreased, from time to time by amendment of these Bylaws upon a two-thirds (2/3) vote of the Members at the annual meeting or at a special meeting called for that purpose, provided, however the number of directors shall not be decreased to less than three (3). No decrease shall have the effect of shortening the term of any incumbent director. A director need not be an officer, director or designee of Declarant, and need not be a Lot Owner, a mortgagee of Lots or a resident of the State of Texas.

Section 3. Election and Term of Office. The term of office of each member of the Board of Directors shall be one year. The Members shall elect Directors at each annual meeting of Members. Unless removed in accordance with these Bylaws, each director shall hold office for the term for which he is elected and until his successor shall have been elected and qualified.

Section 4. Powers and Duties of Directors. The Board of Directors has the powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of the Common Properties, and it may do all such acts and things as are not by law, by these Bylaws, or by the Declaration directed to be exercised and done exclusively by the Members. Without prejudice to such foregoing general powers and duties and such powers and duties as are set forth in the Declaration, the Board of Directors is vested with, and responsible for, the following powers and duties;

- a) The power and duty to select, appoint and remove all officers, agents and employees of the Association, to prescribe such powers and duties for them as may be consistent with law, the Articles of Incorporation, the Declaration and these Bylaws; to fix their compensation and to require from them security fix faithful service when deemed advisable by the Board;
- b) The power and duty to conduct, manage and control the affairs and business of the Association, and to make and enforce such rules and regulations therefore consistent with the law, with the Articles of Incorporation, the Declaration and these Bylaws, as the Board may deem necessary or advisable;
- c) The power and duty to fix and levy from time to time regular annual assessments and special assessments upon the Members, as provided in the Declaration, to determine and fix the due date for the payment of such assessments, and the date upon which the same shall become delinquent; provided, however, that such assessments shall be fixed and levied only to provide for the payment of the authorized expenses of the Association and of taxes and assessments upon real or personal property owned, leased controlled or occupied by the Association, or for the payment of expenses for labor rendered or materials or supplies used and consumed, or equipment and appliances furnished for the maintenance, improvement or development of such property or for the payment of any and all obligations in relation thereto, or in performing or causing to be performed any of the purposes of the Association or for the health, safety, general benefit and welfare of its Members, in accordance with the provisions of the Declaration. Subject to any limitations imposed by the Declaration and these Bylaws, the Board of Directors shall have the, power and duty to incur any and all such expenditures for any of the foregoing purposes and to provide, or come to be provided adequate funds for replacements as it shall deem to be necessary or advisable in the interest of the Association or welfare of its Members. The funds collected by the Board of Directors from the Members attributable to replacement funds for maintenance costs recurring less frequently than annually and for capital improvements, shall at all times be held in trust for the Members and shall not be commingled with other assessments collected from the Members. Such Annual Assessments and Special Assessments shall be fixed in accordance with the provisions of these Bylaws and the Declaration. Should any

Member fail to pay such assessments before delinquency, the Board of Directors in its discretion is authorized to enforce the payment of such delinquent assessments as provided herein and in Declaration;

d) The power and duty to enforce the Declaration of Covenants, Conditions and Restrictions of Arbor Creek as defined in the Declaration;

e) The power and duty to contract for and pay fire, casualty, errors and omissions, blanket liability, malicious mischief, vandalism, and other insurance, insuring the Members, the Association, the Board of Directors and other interested parties, in accordance with the provisions of the Declaration, insuring, covering and protecting against such damages or injuries as the Board deems advisable (which may include without limitation, medical expenses of persons injured on the Property). The Board shall review, not less frequently than annually and in advance of expiration dates, all insurance policies and bonds obtained on behalf of the Association by the Board or by Agents of Association;

(f) The power and duty to contract and pay for repairs, maintenance, gardening, utilities, materials and supplies, and services relating to the Property and to employ personnel necessary for the operation of the Property and to keep in good order, condition and repair all of the Common Properties and all items of personal property used in the enjoyment of the entire premises, including the, power to contract and pay for legal, and accounting services, and to contract for and pay for improvements on the Common Properties;

(g) The power and duty to accept assignment of or enter into license and/or maintenance agreements with the City of Pflugerville or other appropriate governmental authority to construct, maintain, repair and replace landscape improvements and irrigation systems within any public right-of-way crossing or abutting the Property;

(h) The power, but not the duty, to delegate its powers according to law;

(i) The power and the duty to grant and maintain easements where necessary for utilities sewer facilities and other public purposes to serve the Property;

(j) The power and duty to adopt such rules and regulations as the Board may consider necessary for the management of the Property, which Arbor Creek rules shall become effective and binding after (1) they are adopted by a majority of the Board at a duly called meeting, and (2) they are either mailed or otherwise delivered to each Member, and (3) they are posted in a conspicuous place on the Common Properties, or recorded such Rules and Regulations may address, without limitation, use of the Common Properties, signs, parking restrictions, minimum standards of property maintenance, and any other matter within the jurisdiction of the Association as provided in the Declaration; provided, however, that such Arbor Creek rules shall be enforceable only to the extent that they are consistent with the Declaration, the Articles of Incorporation and these Bylaws; and the Arbor Creek rules may not be used to amend any of said documents;

(k) The power and duty to keep, or cause to be kept a complete record of all acts and corporate affairs of the Association and to present a statement thereof to the Members at the annual meeting of the Members and at any other time that such statement is requested by Members representing at least fifty percent (50%) of the total voting power of the Association;

(l) The power, but not the duty, to sell personal property of the Association; provided, however, that the prior vote or written approval of the Members entitled to cast at least a majority of the voting power of the Association must be obtained to sell, during any fiscal year, personal property of the Association;

(m) The irrevocable right of access to each Lot at reasonable hours as may be necessary for the maintenance, repair or replacement of any improvements to the Common Properties to prevent damage to the Common Properties;

- (n) The irrevocable right of access of each Lot at any hour for the purpose of making emergency repairs to prevent additional damage to the Common Properties;
- (o) The power, but not the duty, to borrow funds in order to pay for any expenditure or outlay required pursuant to authority granted by the provisions of the Declaration and these Bylaws, and to execute all such instruments evidencing such indebtedness as the Board of Directors may deem necessary. Such indebtedness shall be the joint and several obligation of all of the Owners;
- (p) The power and the duty to establish a bank account or accounts for the common treasury and for all separate funds which are required or may be considered advisable by the Board of Directors;
- (q) The power and duty to make repairs, additions, alterations and improvements to the Common Properties consistent with managing the Project in a manner in keeping with the character and quality of the neighborhood in which it is located, and consistent with the best interests of the lot Owners, the Declaration and these Bylaws;
- (r) To protect and defend the entire Common Properties from loss and damage by suit or otherwise;
- (s) To keep and maintain full 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 Lot Owners and any first mortgagee of a Lot, and to cause a complete audit of the books and accounts to be made by a competent accountant, once each year. The Association shall cause to be prepared and delivered annually to each Owner an annual Compilation Statement showing all receipts, expenses or disbursements since the last such statement. Such annual Compilation Statements shall be available to any first mortgagee of a Lot, on request, within ninety (90) days following the fiscal year end of the Association, and
- (t) In general, to carry on the administration of this Association and to do all of those things, necessary and reasonable, in order to carry out the communal aspect of the Common Properties.

Section 5. Manager. The Board of Directors may employ for the Association a professional independent contractor ("Manager") at a compensation established by the Board of Directors, to perform such duties and services as the Board of Directors shall authorize. Provided, however, that any management contract entered into with such Manager may not be entered into for a term exceeding three (3) years, provided further that any such management contract may be terminated by the Association with or without cause upon thirty (30) days' prior written notice

Section 6. Removal. Any director may be removed either for cause or without cause at a special meeting of the Members called for that purpose Removal shall be accomplished by the affirmative vote of a majority (based on vote) of the, Owners, votes entitled to be cast and represented in person or by proxy at such meeting which are entitled to vote, for the election of such director.

Section 7. Vacancy. A vacancy on the Board of Directors may be filled either (1) by appointment at any meeting of the Board Of Directors by a majority of the directors then, in office, though less than a quorum, or (2) by election at a special meeting of the Members called for that purpose. Each successor director shall be elected or appointed for the unexpired term of his predecessor in office and shall serve until his successor shall be elected and shall qualify. Any directorship to be filled by reason of any increase in the number of directors shall be filled by election at an annual meeting of the members or at a special meeting of the Members called for that purpose. No action by the Board of Directors shall be invalid solely for the reason that there existed one or more vacancies on the Board of Directors at such.

Section 8. Committees.

8.1. Executive Committee. The Board of Directors, by resolution adopted by a majority of the Full Board of Directors, may designate from among its members an executive committee, which committee, to the extent

provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the business and affairs of the Association except where action of the Board of Directors is specifically delegated by the Texas Nonprofit Corporation Act or other applicable law, the Articles of Incorporation, or these Bylaws, but the designation of such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed upon it or him by law. The executive committee shall keep regular minutes of its proceedings and report the same to the Board when required by the Board. Actions by the Executive Committee shall be ratified by the Board of Directors within 90 days of said action.

8.2. Other Committees. Other committees not having and exercising the authority of the Board of Directors in the management of the Association may be designated and appointed by a resolution adopted by a majority of the directors at a meeting at which a quorum is present, or by the President thereunto authorized by a like resolution of the Board of Directors. Membership on such committees may, but need not be, limited to directors.

8.3. Compensation. Directors, as such, shall not receive any salary for their services, but by resolution of the Board a fixed sum plus expenses of attendance, if any, may be paid for attendance at each regular or special meeting of the Board. Nothing herein shall be construed to preclude any director from serving the Association in any other capacity and receiving compensation therefore. Members of the executive committee may, by resolution of the Board of Directors, be allowed like compensation for attending committee meetings.

Section 9. Location of Meetings. The directors of the Association may hold regular or special meetings either within or without the State of Texas.

Section 10. Annual Meetings. The annual meeting of the Board of Directors shall be held without other notice than as provided in these Bylaws in May or June to estimate expenses for the next year and to levy the Regular Annual Assessment of each Member for the next fiscal year.

Section 11. Other Regular Meetings. The Board of Directors may provide, by resolution, the time and place for the holding of additional regular meetings without other notice such resolution.

Section 12. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman, the President, or any two directors. Notice of the call of a special meeting shall be in writing and delivered for transmission to each of the directors not later than during the third day immediately preceding the day for which such meeting is called. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his address as it appears in the records of the Association with postage thereon paid. Neither the business proposed to be transacted, nor the purpose of any special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 13. Telephonic Conference. Subject to the provisions for notice required by these Bylaws and the Texas Nonprofit Corporation Act for notice of meetings, directors may participate in and hold a meeting by means of telephone conference or similar communications equipment by which all persons participating in the meeting can hear each other. Participation in the meeting shall constitute presence in person at the meeting, except when a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 14. Waiver of Notice. Notice of any special meeting may be waived in writing signed by the Person or persons entitled to such notice. Such waiver may be executed at any time before or after the holding of such meeting. Attendance of a director at a special meeting shall constitute a waiver of notice of such special meeting, except where a director attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 15. Quorum. A majority of the number of directors then in office shall constitute a quorum for the transaction of business. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless otherwise specifically required by law or these Bylaws. If a quorum is not present at any meeting of directors, the directors present may adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum is present.

Section 16. Conduct of Meeting. The President shall preside over all meetings of the Board of Directors and the Secretary shall keep the minutes of the meeting and record in a Minute Book of the Board of Directors such resolution that are adopted by the Board of Directors and a record of all transactions occurring thereat Robert's Rules of Order (latest edition) as modified by the Board of Directors shall govern the conduct of all meetings of the Association when not in conflict with the Declaration or these Bylaws.

Section 17. Action Without Meeting. Any action required or permitted to be taken at a meeting of the Board of Directors or any executive committee, or other committee may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the members of the Board Of Directors or executive committee then in office, as the case may be. Such consent shall have the same force and effect as a unanimous vote at a meeting, and may be stated as such in any document or instrument filed with the Secretary of State.

Section 18. Chairman. The Board of Directors, by resolution adopted by a majority of the members then in office, may elect one from among their number to serve as chairman and preside at meetings of the Board. The chairman shall serve at the will of the Board of Directors. In absence of such election, the President shall preside at meetings of the Board of Directors.

Section 19. Fidelity Bonds The Board of Directors shall require adequate fidelity bonds for all officers directors, and employees of the Association handling or responsible for Association funds. The premiums of such bonds shall constitute an expense payable from assessment revenues.

ARTICLE 6

OFFICERS

Section 1. Designation of Officers. The officers of the Association shall be elected by the directors and shall be a president, a vice-president, a secretary and a treasurer. The Board of Directors may also elect additional vice-presidents, and one or more assistant secretaries and assistant treasurers. Any two or more offices may be held by the same person except that the offices of president and secretary shall not be held by the same person.

Section 2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the Board of Directors to serve until the next election of officers. Each officer shall hold office until his successor has been elected and qualifies, or until the death, resignation, or removal of the officer.

Section 3. Appointment of Other Officers and Agents. The Board of Directors may appoint such other officers and agents as it deems necessary. Such officers and agents shall be appointed for such term not to exceed one year and shall exercise such powers and perform such duties as may be determined from time to time by the Board.

Section 4. Compensation. The compensation of all officers and agents of the Association shall be fixed from time to time by the Board of Directors; provided, the Board of Directors may delegate to the President or other chief operating officer the responsibility for establishing compensation, for all officers, other than the President, such compensation, however, to be subject to review and approval by the Board of Directors.

Section 5. Removal. Any officer or agent elected or appointed by the Board of Directors, or members of the executive committee, may be removed at any time either for cause or without cause by the affirmative vote of a majority of the whole Board of Directors. Such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment shall not of itself create any contract right.

Section 6. Duties of President. The president shall be the chief executive officer of the Association. The president shall preside at all meetings of the Members and, in the absence of an elected chairman of the Board, at all meetings of the Board of Directors. The president shall present at each annual meeting of the Members and of the Board of Directors a report of the condition of the Association. The president shall have the discretion to appoint the President or other officer of the Class A Members Committee or other representative to preside at any meeting of the Members. The president shall cause to be called the regular and special meetings of the directors and the Members in accordance with these Bylaws. The president shall appoint and remove, employ and discharge and fix the compensation of all agents and employees of the Association other than himself, subject to the approval of the Board of Directors. The president shall sign and make contacts and agreements in the name of the Association. The president shall see that the books, reports, statements, and certificates required by law are properly kept. The president shall enforce these Bylaws and perform all of the duties normally incident to the position and office of the president.

Section 7. Duties of Vice-President. In the absence of the president or in the event of his inability or refusal to act, the vice-president (or in the event there be more than one vice-president, the vice-presidents in the order designated, or in the absence of any designation, in the order of their election.) shall perform the duties of the president, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the president. Each vice-president shall also have such powers and perform such other duties as from time to time may be assigned to him by the president or by the Board of Directors.

Section 8. Duties of Secretary. The secretary shall attend all meetings of the members and of the Board of Directors. The secretary shall keep a true and complete record of the proceedings, including all votes and resolutions presented at these meetings, in a book to be kept for that purpose. The secretary shall be custodian of the records and of the seal, if any, of the Association, and shall affix the same, if the Association so has a seal, to documents, the execution of which is duly authorized. The secretary shall give or cause to be given all notices required by law, the Declaration, the Restrictive Covenants or these Bylaws. The secretary shall also perform such other duties as may be prescribed by the Board of Directors or the President.

Section 9. Duties of Treasurer. The treasurer shall have the care and custody of and be responsible for the funds and properties of the Association and shall deposit such funds in the name of the Association in such depositories as the Board of Directors may from time to time designate. The treasurer shall sign, make and endorse in the name of the Association all checks, drafts, warrants, and orders for the payment of money and shall pay out and dispose of same and receipt therefore, under the direction of the president or the Board of Directors. The treasurer shall disburse funds as directed by resolution of the Board of Directors, provided, however, that a resolution of the Board of Directors is not necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board of Directors. The treasurer shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial data. The treasurer shall exhibit at reasonable times and upon reasonable request his books and records of account to any director or Member of the Association. The treasurer shall cause an annual Compilation Statement of the Association books to be made by a certified public accountant or public accountant, at the completion of each fiscal year, and shall, with the Board of Directors, prepare an annual budget and a statement of income and expenditures to be presented to the Members at the annual meeting and deliver a copy of each to the Members. The treasurer shall also render a statement of the condition of the financial affairs of the Association at each regular meeting of the Board of Directors and at such other times as he may be directed by the Board of Directors or by the president.

ARTICLE 7

LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1. Indemnification.

1.1. Definitions. For purposes of this Section 1:

(a) References to the Association shall include any domestic or foreign predecessor entity of the Association in a merger, consolidation other transaction in which the Liabilities of the predecessor are transferred to the Association by operation of law and in any other transaction in which the Association assumes the liabilities of the predecessor but does not specifically exclude liabilities that are the subject matter of this Section.

(b) "Indemnitee" means (a) any present or former director, advisory director, or officer of the Association, (b) any person who, while serving in, any of the capacities referred to in clause (a) 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 (c) any person nominated or designated by (or pursuant to authority granted by) the Board of Directors or any committee thereof to serve in any of the capacities referred to in clauses (a) or (b) hereof.

(c) "Official Capacity" means (a) when used with respect to a director, the office of director of the Association, and (b) 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 at the request of or 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, sale proprietorship, trust, employee benefit plan or any other enterprise.

(d) "Proceeding" means any threatened, pending or completed action, suit or proceeding, whether civil, criminal administrative arbitative 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.

1.2. Indemnification. The Association shall indemnify an Indemnitee who was, is, or is threatened to be named defendant, respondent or witness in a Proceeding by reason, in whole or in part, of such person serving or having served, or having been nominated or designated to serve, in any of the capacities referred to in Subparagraph 1.1. (b) above, against any judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses actually incurred, by the person in connection with the Proceeding if it is determined, in the manner described in Paragraph 1.3. below, that the person (1) conducted himself in good faith (2) 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 least not opposed to the Association's best interests, and (3) in the case of any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful; provided, however, that if the person is found liable to the Association or is found liable on the basis that personal benefit was improperly received by him, the indemnification (i) shall be limited to reasonable expenses actually incurred by the person in connection with the Proceedings and (ii) shall not be made in respect of any Proceeding in which the person shall have been found liable for willful or intentional misconduct in the performance of his duty to the Association. The termination of a Proceeding by judgment order, settlement or conviction, or on a plea of nolo contendere or its equivalent is not of itself determinative that the person did not meet the requirements for indemnification set forth above. A person shall be deemed to have been found liable in respect of any claim, use or matter only after the person shall have been so adjudged by a court of competent jurisdiction after exhaustion of all appeals therefrom. Notwithstanding any other provision of this Section, the Association shall pay or reimburse expenses incurred by an Indemnitee in connection with his appearance as a witness or other participant

in a Proceeding at a time when he is not a named defendant or respondent in the Proceeding. Reasonable expenses shall include, without limitation, all court costs and all fees and disbursements of attorneys for the Indemnitee.

1.3. Determinations. The determination required in Paragraph 1.2 above that an Indemnitee has satisfied the prescribed conduct and belief standards must be made (1) by a majority vote of a quorum consisting of directors who at the time of the vote are not named defendants or respondents in the Proceeding, (2) if such a quorum cannot be obtained, by a majority vote of a committee of the Board of Directors, designated to act in the matter by a majority vote of all directors, consisting solely of two or more directors who at the time of the vote are not named defendants or respondents in the Proceeding, (3) by special legal counsel selected by the Board of Directors or a committee of the Board by vote as set forth in clause (1) or (2) Of this sentence, or, if such a quorum cannot be obtained and such a committee cannot be established, by a majority vote of all directors or (4) by the Members in a vote that excludes the vote of the directors who are named defendants or respondents in the Proceeding. The determination as to reasonableness of expenses must be made in the same manner as the determination that the person has satisfied the prescribed conduct and belief standards, person has satisfied the prescribed conduct and belief standards, except that if the determination that the person has satisfied the prescribed conduct and belief standards is made by special legal counsel, the determination as to reasonableness of expenses must be made by the Board of Directors or a committee of the Board by vote as set forth in clause (1) or (2) of the immediately preceding sentence or if such a quorum cannot be obtained and such a committee cannot be established, by a majority vote of all directors.

1.4. Advancement of Expenses. Reasonable expenses incurred by an Indemnitee who was or is threatened to be made a named defendant or respondent in a Proceeding shall be paid or reimbursed by the Association, in advance, of the final disposition of the Proceeding and without any of the determinations specified in paragraph 1.3 above, after the Association receives a written affirmation by the Indemnitee of his good faith belief that he has met the standard of conduct necessary for indemnification under Paragraph 1.2. above and a written undertaking by or on behalf of such director to repay the amount Paid or reimbursed if it is ultimately determined that he has not met those requirements. The written undertaking described in the immediately preceding sentence to repay the amount paid or reimbursed to him by the Association must be an unlimited general obligation of the Indemnitee, but need not be secured, and it may be accepted without reference to financial ability to make repayment.

1.5. Insurance and Other Indemnification. The Association may purchase and maintain insurance or establish and maintain another arrangement on behalf of any Indemnitee against or in respect of any liability asserted against him and incurred by him both as to action in his Official Capacity and as to action in any other capacity, whether or not the Association would have the power to indemnify him against that liability under these Bylaw or by statute. If the insurance or other arrangements is with a person or entity that is not regularly engaged in the business of Providing insurance coverage, the insurance or arrangement may provide for payment of a liability with respect to which the Association would not have the power to indemnify the person only if including coverage for the additional liability has been approved by the shareholders of the Association. Without limiting the power of the Association to Purchase, procure, establish or maintain any kind of insurance or other arrangement, the Association may, for the benefit of Indemnities, (1) create a trust fund; (2) establish any form of self-insurance; (3) secure its indemnity obligations by grant of a security interest or other lien on the assets of the Association: or (4) established a letter of credit, guaranty or surety arrangement. The insurance or other arrangement may be purchased, procured, maintained or established within the Association or with any insurer or other person deemed appropriate by the Board of Directors regardless whether all or part of the stock or other securities of the insurer or other person are owned in whole or part by the Association. In the absence of fraud, the judgment of the Board of Directors as to the terms and conditions of the insurance or other arrangement and the identity of the insurer or other person participating in an arrangement shall be conclusive, and the insurance or arrangement shall not be voidable and shall not subject the directors approving the insurance or arrangement to liability on any ground, regardless of whether directors participating in the approval are beneficiaries of the insurance or arrangement.

1.6. Report to Members. Any indemnification of or advancement of expenses to an Indemnitee in accordance with this Section or the provisions of any statute shall be reported in to the Members with or before the notice or waiver of notice of the next Members' meeting or with or before the next submission to Members of a consent to action without a meeting and, in any case, within the 12-month period immediately following the date of the indemnification or advance.

1.7. Entitlement. The indemnification provided by this Section shall (1) not be deemed exclusive of, or to preclude, any other rights to which those seeking indemnification may at any time be entitled under the Association's Articles of Incorporation, any law, agreement or vote of Members or disinterested directors, or otherwise (2) 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 (3) inure to the benefit of the heirs, executors and administrators of such a person.

1.8. Severability. The provisions of this Section are intended to comply with Article 1396-2.22A of the Texas Nonprofit Corporation Act. To the extent that any provision of this Section authorizes or requires indemnification or the advancement of expenses contrary to such statutes or the Articles of Incorporation, the Association's power to indemnify or advance expenses under such provision shall be limited to that permitted by such statutes and the Articles of Incorporation and any limitation required by such statutes or the Articles of Incorporation shall not affect the validity of any other provision of this Section.

1.9. Effect of Amendment. No amendment, modification or repeal of this Section or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future indemnities to be indemnified by the Association, nor the obligation of the Association to indemnify any such Indemnities, under and in accordance with the provisions of this Section as in effect immediately prior to such amendment, modification or repeal with respect to claims rising 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.

1.10. Statutory Changes. In the event the indemnification provided by this Section is more restrictive than the provisions of indemnification allowed by Article 1396-2.22A of the Texas Non-Profit Corporation Act, then those persons seeking indemnification shall be indemnified to the full extent permitted by Article 1396-2.22A of the Texas Non-Profit Corporation Act as it may exist from time to time.

Section 2. Interested Directors and Officers.

2.1. If paragraph 2.2. below is satisfied, no contract or transaction between the Association and any of its directors or officer's (or any other corporation, partnership, association or other organization in which any of them directly or indirectly have a financial interest) shall be void or voidable solely because of this relationship or because of the presence or participation of such director or officer at the meeting of the Board or committee authorizing such contract or transaction, or because such person's votes are counted for such purpose.

2.2. Paragraph 2.1 above will apply only if; (a) the contract or transaction is fair to the Association as of the time it is authorized or ratified by the Board of Directors, a committee of the Board, or the Members or (b) the material facts as to the relationship or interest of each such director or officer as to the contract or transaction are known or disclosed: (i) to the Members entitled to vote thereon and they nevertheless in good faith authorize or ratify the contract or transaction by a majority vote of the Members present; or (ii) to the Board of Directors and it nevertheless in good faith authorizes or ratifies the contract or transaction by a majority of the disinterested directors present, each such interested director to be counted in determining whether a quorum is present but not in calculating the majority necessary to carry the vote.

2.3. The provisions contained in paragraphs 2.1 and 2.2 above may not be construed to invalidate a contract or transaction which would be valid in the absence of such provisions.

ARTICLE 8

COMMON EXPENSES AND ASSESSMENTS

Section 1. Determination of Common Expenses and Assessments.

1.1 Fiscal Year. The fiscal year of the Association shall consist of the twelve (12) month period which shall be designated by the Board of Directors.

1.2. Preparation and Approval of Budget. At least thirty (30) days before the end of each fiscal year the Board of Directors shall adopt a budget for the Association containing an estimate of the total amount which it considers necessary to pay the cost of common utility services (i.e. water and sewer, gas, and electricity), electrical services, maintenance, management operation, repair and replacement of improvements to the Common Properties, and Personal Property owned by the Association (except in the case of fire loss), and the cost of wages, materials, insurance premiums, services, supplies and any other expenses that may be declared to be Common Expenses by these Bylaws, the Declaration or a resolution of the Board of Directors or Members, and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Common Properties and the personal property owned by the Association, and the rendering to the Owners of all related services, such costs and expenses being referred to herein as the "Common Expenses". The budget may also include:

1.2.1. The cost of the maintenance or repair of any Lot or improvement thereon in the event such maintenance or repair is reasonably necessary, in the discretion of the Board of Directors, (i) because of the excessive use or damage caused by willful or negligent acts by a Lot Owner or his guests, invitees licensees, agents employees or patrons, (ii) to protect the Common Properties, (iii) to preserve the appearance or value of the Property or, (iv) to protect the interest of the general welfare of all Owners; provided, however, that no such special maintenance or repair shall be undertaken without a resolution by the Board of Directors and not without reasonable written notice to the Owner of the Lots proposed to be maintained and provided further that the cost thereof shall be assessed against the Lots on which such maintenance or repair is performed; and, when so assessed, a statement for the amount thereof shall be rendered promptly to the then Owner of said Lots, at which time the assessment shall become due and payable and shall be a continuing lien and obligation of said Owner in all respects as provided in the Declaration; and

1.2.2. Any amount necessary to discharge any lien or encumbrance levied against the Property or any portion thereof, which may, in the opinion of the Board of Directors, constitute a lien against the Association or any portion thereof.

1.3. Accounts. The Board shall establish no fewer than two (2) separate accounts (the "Maintenance Funds") into which shall be deposited all monies paid to the Association, and from which disbursement shall be made, as provided herein, in the performance of functions by the Association under the Declaration or these Bylaws. Each of the Maintenance Funds shall be established as separate trust savings or trust checking accounts at a federally insured banking or lending institution. The Maintenance Funds shall include: (1) an operating Fund for current expenses of the Association, and (2) a Capital Contribution Fund for replacements and repairs of the Common Properties and other improvements within the Property to the extent necessary under the provisions of the Declaration and these Bylaws. The, Board shall not commingle any amounts deposited into any of the maintenance Funds.

All amounts deposited into the Operating Fund and the Capital Contribution Fund must be used solely for the common benefit of all of the Owners for purposes authorized by the Declaration and these Bylaws as they may be amended from time to time. Disbursements for the Capital Contribution Fund shall be made by the Board only for the respective purposes specified in this Article VIII the Declaration and/or Restrictive Covenants. Disbursements from the Operating Fund shall be made by the Board for such purposes as are necessary for the discharge of its responsibilities herein and under the said Declaration and Restrictive Covenants for the common benefit of all the Lot Owners other than those purposes for which disbursements from the, Capital Contribution Fund are to be used. No provision in these Bylaws shall be construed in such a way as to permit the Association to use any assessments to abate any annoyance or nuisance emanating from outside the physical boundaries of the Property. No provision contained herein shall limit, preclude or impair the establishment of other funds by the Association earmarked for specified purposes authorized by the Declaration and these Bylaws.

1.4 Notice of Budget. The Board of Directors shall send to each Lot Owner a copy of the budget, in a reasonable itemized form which sets forth the amount of the Common Expenses payable by each Lot Owner, at least thirty (30) days prior to the beginning of the fiscal year to which the budget applies. The said budget shall constitute the basis for determining each Lot Owner's contribution for the Common Expenses of the Association.

1.5. Payment of Assessments. The payment and collection of the assessment made pursuant to the foregoing provisions shall be in accordance with the terms providing for the payment and collection of assessments in these Bylaws and in the Declaration including without limitation the right reserved to the Board to recover reasonable attorneys' fees, interests and costs.

1.6. Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Board of Directors to prepare or adopt the annual budget for any fiscal year shall not constitute a waiver or release in any manner of the Lot Owner's obligation to pay his allocable share of the assessments as herein provided, whenever the same shall be determined, and in the absence of any annual budget or adjusted budget, each Lot Owner shall continue to pay the assessment at the then existing rate established for the previous fiscal period until the new annual or adjusted budget shall have been mailed or delivered.

1.7. Capital Contribution Fund. The Board of Directors shall build up and maintain reasonable capital contributions for working capital, operations, contingencies and replacements. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against Capital Contribution Funds. If the Capital Contribution Funds are inadequate for any reason, including non-payment of any Lot Owner's assessment, the Board of Directors may at any time levy a further assessment, which shall be assessed against the Lot Owners equally, and which may be payable in a lump sum or in installments as the Board of Directors may determine. The Board of Directors shall serve notice of any such further assessment of all Lot Owners by a settlement in writing giving the amount and reason therefore, and such further assessment shall unless otherwise specified in the notice, become effective with the next monthly payment. The payment and collection of the assessment made Pursuant to the foregoing provisions shall be in accordance with the terms providing for payment and collection of assessments in these Bylaws and in the Declaration, including without limitations, the right reserved to the Board to accelerate Payments of assessments and the right to recovery of reasonable attorneys, fees, interest and costs.

Section 2. Collection of Assessment. The Board of Directors may take prompt action to collect any assessments due from an Owner which remain unpaid for more than thirty (30) days from the date due for payment thereof.

Section 3. Delinquency and Acceleration. Any installment of an assessment provided for in these Bylaws shall become delinquent if not paid on the due date as established by the Board of Directors of the Association, pursuant to the provisions hereof or pursuant to the Declaration. With respect to each installment of an assessment not paid within thirty (30) days after its due date, the Board of Directors may at its election, require the delinquent Lot Owner to pay a reasonable late charge, together with interest at the maximum rate permitted by law on such delinquent sums, calculated

from the date of delinquency to and including the date full payment is received by the Association. If any installment of an Annual Assessment is not paid within thirty (30) days after its due date, the Board may mail a notice, by certified mail return receipt requested, to the Lot Owner and to each First Mortgagee of a Lot which has requested a copy of the notice. Such notice shall specify, in addition to any information required to be provided under the Declaration, (1) the fact that the assessment is delinquent; (2) the action required to cure the default; (3) a date, not less than thirty (30) days from the date the notice is mailed to the Lot Owner, by which such default must be cured; and (4) that failure to cure the default on or before the date specified in the notice may result in foreclosure by the Association against the Lot. If the delinquent installments of the assessments of whatever nature, and any charges thereon are not paid in full on or before the date specified in the notice, the Board at its option may declare all of the unpaid balance of the Annual Assessment for the then current fiscal year, attributable to that Lot Owner and his or its Lot(s) to be immediately due and payable without further demand and may enforce the collection of the full Annual Assessment and any other assessments and all charges thereon in any manner authorized by law, these Bylaws and the Declaration.

ARTICLE 9

JOINT OWNERSHIP

Membership may be held in the name of more than one person, corporation or other entity. In the event ownership is in more than one person, corporation or other entity, all of the Co-owners shall be entitled collectively to only the vote in the management of the affairs of the Association as set forth in the Articles of Incorporation, in the Declaration, and these Bylaws, and said vote may not be divided between Co-owners.

ARTICLE 10

OBLIGATION OF MEMBERS

In addition to other obligations and duties set out in the Declaration and these Bylaws every Lot Owner shall;

- (a) Pay any assessments levied by the Association as due and as provided in the Declaration.
- (b) Maintain, repair and replace, at his own cost and expense all portions of his Lot and improvements thereon requiring maintenance, repair, or replacement, as set forth in the Declaration and in the Restrictive Covenant instrument applicable to his or her section or phase of the subdivision and subject to the light of the Architectural Review Committee to approve or disapprove alterations.
- (c) Conform to and abide by the Declaration of Covenants, Conditions and Restrictions for Arbor Creek in regard to the use of his Lot, any improvements thereon, and the Common Properties which may be adopted in writing from time to time by the Board of Directed and the Association.

ARTICLE 11

NOTICE OF HEARING PROCEDURE

Section 1. Suspension of Privileges. In the event of an alleged violation of the Declaration, these Bylaws or any other Rules and Regulations of the Association, and after written notice of such alleged failure is delivered (in the manner prescribed in Section 2 of Article II hereof) to the Lot Owner or any agent of the Lot Owner (the "Respondent") alleged to be in default, the Board shall have the right, after affording the Respondent an opportunity for an appropriate hearing as here in-after provided, and upon an affirmative vote, of a majority of all directors on the Board, to take any one or more of the following actions: (1) levy a special assessment if so provided in the Declaration and these Bylaws; (2) suspend or condition the right of said Lot Owner to use any facilities owned, operated or maintained by the Association; (3) suspend

said Lot Owner's voting privileges in the Association as a Lot Owner, as further provided in the Declaration and these Bylaws; or (4) record a notice of noncompliance encumbering the Lots and/or residence of the Respondent. Any such suspension shall be for a period of not more than thirty (30) days for any non-continuing infraction, but in the case of a continuing infraction (including nonpayment of any assessment after the same becomes delinquent) suspension may be imposed for so long as the violation continues. No action against a Lot Owner arising from the alleged violation shall take effect prior to the expiration of (a) fifteen (15) days after the Lot Owner's receipt of the complaint pursuant to Section 2, and (b) five (5) days after the hearing required herein. The failure of the Board to enforce any Rules and Regulations of the Association, these Bylaws or the Declaration shall not constitute a waiver of the right to enforce the same thereafter. The remedies set forth above and otherwise provided by these Bylaws, the Declaration the Restrictive Covenants and the Articles of Incorporation shall be cumulative and none shall be exclusive. However, any individual Lot Owner must exhaust all available internal remedies of the Association prescribed by these Bylaws, or by Arbor Creek rules, provided, however that the foregoing limitation pertaining to exhausting administrative remedies shall not apply to the Board or to any Lot Owner where the complaint alleges nonpayment of assessments.

Section 2. Written Complaint. A hearing to determine whether a right or privilege of the Respondent under the Declaration or these Bylaws should be suspended or conditioned, or whether a special assessment should be levied, shall be initiated by the filing of a written complaint by any Lot Owner or by any officer or member of the Board of Directors with the President of the Association or other presiding members of the Board. The complaint shall constitute a written statement of charges which shall set forth in ordinary and concise language the acts or omissions with which the Respondent is charged, and a reference to the specific provisions of the Declaration, these Bylaws or the Arbor Creek rules which the Respondent is alleged to have violated. A copy of the complaint shall be delivered by the Association to the Responded in accordance with the notice procedures set forth in these Bylaws together with a statement which shall be substantially in the following form:

"Unless a written request for a hearing signed by or on behalf of the person named as "Respondent" in the accompanying complaint is delivered or mailed to the Board of Directors within fifteen (15) days after the complaint was delivered to you, the Board of Directors may proceed upon the complaint without a hearing, and you will have thus waived your right to a hearing. The request for a hearing may be made by delivering or mailing the enclosed form entitled "Notice of Defense" to the Board of Directors at the following address:

You may, but need not be represented by counsel at any or ail stages of these proceedings. If you desire the names and addresses of witnesses or an opportunity to inspect any relevant writings or items on file in connection with this matter in the possession, custody or control of the Board of Directors, you may contact:

The Respondent shall be entitled to a hearing on the merits of the matter if the Notice of Defense is timely filed with the Board. The Respondent may file a separate statement by way of mitigation, even if he does not file a Notice of Defense.

Section 3. Notice of Hearing. If the Notice of Defense is timely filed the Board shall deliver in the manner prescribed by the notice procedures set forth in these Bylaws a notice of hearing, on all interested parties at least ten (10) days prior to the hearing, if such hearing requested by Respondent. The hearing shall be held no sooner than thirty (30) days, but not later than ninety (90) days after the complaint is mailed or delivered to the Respondent as provided in Section 2, above. The notice to the Respondent shall be substantially in the following form, but may include other information;

"You are hereby notified that a hearing will be held before the Board of Directors of The Homeowners'

Association for Arbor Creek Inc., at _____ on the _____ day of _____ 200__ at the hour of _____ upon the charges made in the complaint served upon you. You may be present at the hearing, may but need not be represented by counsel may present any relevant evidence, and will be given full opportunity to cross-examine all witnesses testifying against you. You are entitled to request the attendance of witnesses and the production of books, documents or other items by applying to the Board of Directors.

Section 4. Hearing. If the Notice of Defense is timely filed, the hearing shall be held before the Board in executive session on the date specified in the notice of hearing delivered to the Respondent. If the Notice of Defense is not timely filed, the Respondent's right to, a hearing shall be waived and the Board, in executive session, may proceed upon the complaint without a hearing. Prior to the effectiveness of any sanction hereunder, proof of notice, and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be adequate if a copy of the notice together with a statement of the date and manner of delivery is entered by the officer or director or other person who mailed or delivered such notice. The notice requirement shall be considered satisfied if the Respondent appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

ARTICLE 12

MISCELLANEOUS

Section 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Association and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Funds. All funds of the Association shall be deposited from time to time to the credit of the Association in such banks, trust companies, or other depositories as the Board of Directors may select.

Section 4. Checks. All checks or demands for money and notes of the Association shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time, designate.

Section 5. Fiscal Year. The fiscal year of the Association shall be fixed by resolution of the Board of Directors.

Section 6. Books and Records. The Association shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its Board of Directors, and committees having any authority of the Board of Directors, and shall keep at the registered or principal office all books and records of the Association for inspection by any director or his agent or attorney for any proper purpose at any reasonable time.

Section 7. Inspection of Books. Any person who is a Lot Owner, upon written demand stating the purpose thereof, shall have the right to examine in person or by agent or attorney at any reasonable time or times, for any proper purpose, the books and records of account, minutes and records of the Members of the Association. Such person shall have the right to make extracts therefrom.

Section 8. Financial Records.

8.1. Records. The Association shall maintain current true and accurate financial records with full and correct entries made with respect to all financial transactions of the Association, including all income and expenditures, in accordance with generally accepted accounting practices.

8.2. Annual Reports. Based on these records, the Board of Directors shall annually prepare or approve a report of the financial activity of the Association for the preceding Year. The report must conform to accounting standards as promulgated by the American Institute of Certified Public Accountants and must include a statement of support, revenue, and expenses and changes in fund balances, a statement of functional expenses, and balance sheets for all funds.

8.3. Location of Financial Records and Reports. All records, books, and annual reports of the financial activity of the Association shall be kept at the registered office or Principal Office of the Association in this state for at least three years after the closing of each fiscal year and shall be available to all Lot Owners and their First Mortgagees for inspection and copying there during normal business hours. The Association may charge for the reasonable expense of preparing a copy of a record or report.

Section 9. Notices. All notices, demands, bills, statement or other communications under these Bylaws shall be in writing and shall be considered to have been duly given if delivered Personally or if sent by U.S. first class, prepaid mail unless required to be sent by other methods in the Declaration or these Bylaws.

Section 9.1. Owner. Notice to a Lot Owner, shall be sent to the address which the Lot Owner has designated in writing and filed with the Secretary, or if no such address is designated, at the address of the residence of such Lot Owner; or

9.2 Association. Notice to the Association, the Board of Directors or the Manager, if any shall be sent for principal office of one of them, or at such other address as shall be designated by the notice in writing to the Lot Owners pursuant to this Section.

Section 10. Invalidity. The invalidity of any Part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws.

Section 11. Corporate Seal. The Board of Directors shaft provide a seal of the Association, which seal shall include the full name of the Association.

ARTICLE 13

AMENDMENTS

Section 1. Power to Amend. These Bylaws may be altered, amended, or repealed at any meeting of the Members at which a quorum is present, by the affirmative vote of a majority of the Members present at such meeting, provided notice of the proposed alteration, amendment, or repeal be contained in the notice of such meeting. Provided, however, during such period as Declarant owns any Lot, the affirmative vote of Declarant shall be required to effect any such amendment and any such amendment shall require the approval of the Veterans Administration. Any amendment to these Bylaws which would conflict with the provisions of the Articles of Incorporation, the Declaration or other applicable restrictive covenants; shall be ineffective unless and until the appropriate provisions of the Articles of incorporation, the Declaration or other applicable restrictive covenants, whether one or more, as the case may be, are so amended in accordance with their respective amendment procedures. Notwithstanding the above the amendment hereto which, (i) changes the method of determining the obligations, assessments, dues or other charges which may be levied against a Lot Owner, or (ii) changes waives or abandons any scheme pertaining to architectural design or maintenance, or (iii) changes

the manner in which insurance proceeds are used, shall have the additional approval of sixty-seven percent (67.0%) of the first mortgagees (based upon one vote for each mortgage owned).

Section 2. Declarant reserves the right during the construction and sale period without joinder or consent of any Lot Owner or Mortgagee, to amend these Bylaws for the purpose of resolving or clarifying any conflicts or ambiguities herein or any conflicts among these Bylaws and the Declaration, the applicable restrictive covenants and the Articles of Incorporation , or correcting any inadvertent misstatement, errors or omissions herein, or to comply with the requirements of the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Veteran's Administration or the Federal Housing Administration, provided that no such amendment shall change the vested property rights of any Lot Owner.

ARTICLE 14

CONFLICT

In the case of a conflict between the Articles of Incorporation and the Bylaws, the Articles shall control and in case of conflict between the Declaration and these Bylaws, the Declaration shall control.

IN WITNESS WHEREOF, we the Directors of The Homeowners' Association for Arbor Creek Inc., have hereto set our hands this _____ day of _____ 200_.

CERTIFICATION

the undersigned, do hereby certify:

THAT I am the duly elected Secretary of The Homeowners' Association for _____, Inc., a Texas limited non-profit corporation, and,

THAT the foregoing Bylaws constitute the amended and restated Bylaws of said Association, as duly approved by a unanimous vote of the Members present at the Annual Meeting of Members, held on the ___ day of _____, 200_.

IN WITNESS WHEREOF, I have hereunto subscribed my name this _____ day of _____ 200_.

FILED AND RECORDED
OFFICIAL PUBLIC RECORDS

Dana Debeauvoir

04-08-2003 03:34 PM 2003077767
ZAVALAR \$77.00
DANA DEBEAUVOIR, COUNTY CLERK
TRAVIS COUNTY, TEXAS