

BY-LAWS OF
DONALL ESTATES PROPERTY OWNERS ASSOCIATION, INC.

Amended and Adopted September 21, 2002
Replaces previous 1979 Version

ARTICLE I: NAME

The Corporation shall be named DONALL ESTATES PROPERTY OWNERS ASSOCIATION, INC., (hereinafter referred to as the "Association" or "Corporation").

ARTICLE II: PURPOSE

The purpose of the Association is to promote and insure the welfare, health and safety of owners of lots in Donall Estates through the creation and maintenance of a Property Owners Association that is charged to keep, maintain and improve the roads and common areas, including the recreational facilities, of the properties of Donall Estates. The Association shall--and as may be required in the future--establish or create, maintain and improve existing and additional recreational facilities, water systems, sanitation systems, and other systems for upgrading and preserving the quality of life available to the owners, residents, and guests at Donall Estates.

It is agreed that the following definitions will be applied with reference to the Association and these bylaws as well as the Articles of Incorporation of the Corporation.

(1) "Association" shall mean and refer to Donall Estates Property Owners Association, Inc., Burnet, Texas, a duly incorporated Texas nonprofit corporation, its successors and assigns. The Association has the power to collect and disburse those maintenance assessments as described in Article VIII, Section 1.A. hereof.

(2) "Owner" shall mean and refer to the record owner, whether one (1) or more persons or entities of a fee simple title to any residential or other lot which is a part of the properties, including contract sellers but excluding those having an interest merely as security for the performance of an obligation.

(3) "Properties" shall mean and refer to that certain real property described on attached "Exhibit A" and such additions thereto as may be hereinafter acquired or brought within the jurisdiction of the Association.

(4) "Common Area" shall mean all real property, if any, owned by the Association for the common use and enjoyment of the Owners and shall include roads, designated recreational areas, oil, gas and mineral interests under the properties that are deeded to the Association, land between the low water mark and the 1020 foot median (so called high water mark). The Common Areas will be deeded to the Association, free and clear of encumbrances.

ARTICLE III: MEMBERSHIP AND VOTING RIGHTS

Every owner of a lot, which is subject to assessment, shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any lot, which is subject to assessment. Members shall be entitled to one vote for each lot owned. When more than one person owns an interest in any lot, all such persons shall be members. The vote of each lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to a lot.

ARTICLE IV: MEMBERSHIP MEETINGS

Section 1. Annual Meeting. There shall be an annual meeting of the membership in the month of March at a time and place to be determined by the Board of Directors.

Section 2. Quorum. At any meeting of the membership of the Association, those present shall constitute a quorum for the transaction of business.

Section 3. Regular Meeting. Regular membership meetings shall be held during the months of March, June, September and December during each year at a time and place to be determined by the Board of Directors.

Section 4. Special Meetings. Special meetings of the membership may be called by the President or one-third (1/3) of the Board of Directors or shall be called by the President upon written application of ten percent (10%) of the members of the Association.

Section 5. Notice of Meeting. No notice of annual or regular meetings shall be required, but notice of special meetings, stating the place, day and hour of the meeting, and the purpose or purposes for which the meeting is called, shall be given in writing to each member entitled to vote at the meeting at least ten (10) but not more than fifty (50) days before the date of the special meeting either personally or by mail or other means of written communication, addressed to the member at his address appearing on the books of the Corporation or given by him to the Corporation for the purpose of notice. Notice of adjourned meetings is not necessary unless the meeting is adjourned for thirty (30) days or more, in which case notice of the adjourned meeting shall be given.

ARTICLE V: OFFICERS

Section 1. Personnel. The elected officers of the Association shall be a President, a Vice-President, a Treasurer and a Secretary. The Board of Directors may elect or appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed,

from time to time, by the Board of Directors. Any two or more offices may be held by the same person, except the offices of President and Secretary.

Section 2. Duties.

A. The President shall preside at all meetings and report annually on activities of the Association. The President shall be the principal executive officer of the corporation and shall in general supervise and control all of the business and affairs of the corporation. The President shall preside at all meetings of the Board of Directors. The President may sign, with the Secretary, or any other proper officer of the corporation authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors have authorized to be executed, except in cases when the signing and execution thereof shall be expressly delegated by the Board of Directors or by these by-laws or by statute to some other officer or agent of the corporation. In general the President shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

B. The Vice-President, in absence of the President or in the event of the President's inability or refusal to act, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all of the restrictions upon the President. Any Vice-President shall perform such other duties as from time to time may be assigned to him by the President or the Board of Directors.

C. The Treasurer, only if required by the Board of Directors, shall give bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine. The Treasurer shall have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected in accordance with the directions of the Board of Directors; and in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the President or by the Board of Directors. Any disbursement over \$250.00 shall be approved by the Executive Committee.

D. The Secretary shall keep the minutes of the meetings of the Board of Directors in one or more books provided for that purpose; be custodian of the corporate records; keep a register of the post office address of each of the Directors which shall be furnished to the Secretary by each Director; and in general, perform all duties incident to the Secretary and such other duties as from time to time may be assigned to the Secretary by the President or by the Board of Directors.

E. Assistant Treasurers and Assistant Secretaries, if required by the Board of Directors, shall give bonds for the faithful discharge of their duties in such sum and with such sureties as the Board of Directors shall determine. The Assistant Treasurers and Assistant Secretaries in general

shall perform such duties as shall be assigned to them by the Treasurer or the Secretary or by the President or Board of Directors.

Section 3. Election. Officers shall be elected by the membership from a slate presented by the Nominating Committee at each annual meeting of the membership and shall serve for a term of one (1) year commencing on the day of the annual meeting or until a successor shall be elected. There shall also be nominations accepted from the floor at the annual meeting. Election of Officers shall be by secret ballot. The Nominating Committee shall tally the votes.

Section 4. Vacancies. Any vacancy occurring in any office of the Association may be filled by the Board of Directors for the unexpired term. The appointment of such member shall be subject to confirmation by the members of the Association at the meeting next following the date of such appointment.

ARTICLE VI: BOARD OF DIRECTORS

Section 1. Number, Term. The Board of Directors shall consist of the Executive Committee, standing committee Chairmen, and three (3) Directors, one of which shall be elected at each annual meeting. Each elected Director shall serve a term of three (3) years to provide for overlapping terms of office.

Section 2. Duties. The property, affairs, and business of the Association shall be governed by the Board of Directors except as otherwise provided herein.

Section 3. Quorum. A majority of the Board of Directors in attendance shall constitute a quorum for the transaction of business.

Section 4. Meetings. Regular meetings of the Board may be held monthly at such time and place as the Board may from time to time determine.

Section 5. Vacancies. Any vacancy occurring in the Board of Directors (other than a vacancy resulting from the annual expiration of a term of office) may be filled by the affirmative vote of a majority of the then members of the Board of Directors. Any Director elected to fill a vacancy shall be elected for the unexpired term of the Director's predecessor in office. Any Director may resign by submitting written notice of resignation to the Secretary. Any Director may be removed from office at any time with or without cause by the affirmative vote of two-thirds (2/3) of the Directors in office.

Section 6. Election. A new Director shall be elected from the slate offered by the Nominating Committee by the vote of a majority of the members at the annual meeting. Nominations will also be accepted from the floor at such meeting. Election shall be by secret ballot. The Nominating Committee shall tally the votes.

ARTICLE VII: EXECUTIVE COMMITTEE

Section 1. Personnel. The Executive Committee shall consist of the Following: the President, Vice-President, Secretary, Treasurer, and the immediate Past-President.

Section 2. Powers. The Executive Committee shall have and may exercise all the powers of the Board of Directors between meetings of the Board. The powers of the Executive Committee shall include the power to sign all papers that may require execution.

Section 3. Meetings. The Executive Committee shall meet at the call of the President or in the President's absence, the Vice-President. Special meetings may be called upon written request of three (3) members of the Executive Committee.

Section 4. Quorum. A majority of the Executive Committee shall constitute a quorum for the transaction of business.

ARTICLE VIII: COMMITTEES

Section 1. Standing Committees. There shall be the following committees whose activities are continuing in the Association and whose Chairmen, appointed by the President, are Board Members:

A. Assessment Committee. The assessment committee shall consist of three (3) members. Two (2) of whom shall be chosen by the Board of Directors from among their own number, and one of whom shall be elected by the members of the Association from a slate presented at the annual meeting. The immediate past-President of the Association shall serve as Chairman of the committee.

The purpose of the Assessment Committee shall be to fix assessments levied by the Association, which shall be used exclusively to promote the recreation, health, safety and welfare of the owners of the Properties for the operation, improvements and maintenance of roads and of the common areas, and for the expenses necessarily incurred for the functioning of the Association. The proceeds of the regular annual assessment may be used to reimburse the Association for any capital expenditure incurred in the construction of roads, recreation, health, safety, and welfare facilities for the benefit of the owners of the Properties. Subject to the limitations, if any, of the various plats, dedications, and deeds affecting the owners and the Properties within Donall Estates, the Assessment Committee shall impose upon each lot owned within the Properties, an annual assessment or charge to be established each January 1st and collected as hereinafter provided. The annual assessment together with interest, cost and reasonable attorneys' fees, to collect assessments due, shall be a charge on the land and shall be a continuing lien upon the property against which the assessment is made. Each assessment so made, together with interest, cost and attorneys' fees, shall also be a personal obligation of the person who is the owner of such lot.

The Board of Directors shall approve the assessment fixed by the Assessment Committee at an amount not in excess of the maximum allowable for any one (1) year. A statement of the annual assessment plus any past due assessments and penalties shall be mailed to each owner on or before February the first of each year. The annual assessment plus any past due assessments and penalties is due on or before the annual meeting. A ten percent (10%) penalty will be assessed each year for all late assessments to include penalties. It is the duty of each owner to ensure that the association has their current mailing address.

The maximum annual assessment may be increased each year not more than fifteen (15) percent above the maximum assessment for the previous year up to \$50.00 per lot without a vote of the membership. Any increase in the annual assessment in excess of the maximum shall be permitted only upon vote of a majority of a quorum at an annual meeting.

B. Finance Committee. The Finance Committee shall be responsible for establishing an annual budget to facilitate the work of the Association and its committees, including an estimate of the annual income of the Association from assessments, charges, and other sources.

C. Properties, Accounting and Legal Committee. The Properties Accounting and Legal Committee shall, with the approval of the Board of Directors, handle all of the affairs of the Association other than those specifically designated as being the responsibility of the Finance Committee and the Assessment Committee including the following specific duties, to-wit: (i) insure that every owner has a right to and an easement of enjoyment in and to the Common Areas that shall be appurtenant to and pass with, the title to every lot when such owner has currently paid all assessments against such owner's property and such owner is not in violation of the covenants and restrictions pertaining to all properties within Donall Estates; (ii) handle questions presented when an owner delegates such owner's right of enjoyment to the Common Areas and facilities to the members of such owner's family, tenants, or contract purchasers who reside on the properties; (iii) handle questions concerning the assessment and collection of annual assessments against each lot; and (iv) develop and promulgate rules and pursue remedies of the Association for non-payment of Association assessments.

D. Other Committees. The Board of Directors shall appoint other committees, standing or periodical, as deemed appropriate in carrying out the purposes of the Association and the Board.

ARTICLE IX: AMENDMENT

The Board of Directors shall adopt and amend these By-Laws of the Association. The By-Laws may be amended by majority vote of the Directors present at any meeting of the Board, provided, however, that proposed changes shall have been submitted in writing to each Director at least twenty eight (28) days prior to the meeting at which action is to be taken. The Board of Directors is given the authority to interpret these By-Laws.

ARTICLE X: MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of the Corporation shall be the calendar year.

Section 2. Seal. The Board of Directors may, if they so desire, adopt a seal of the Corporation, but no seal is required to be adopted. If a seal of the Corporation is adopted, the seal may be modified or abandoned at any time by the Board of Directors. The seal may be used by causing it, or a facsimile thereof, to be impressed, affixed, imprinted or in any other manner reproduced.

Section 3. Indemnification. Each person who acts as a director or officer of the Corporation shall be indemnified by the Corporation against any costs, expenses and liabilities which may be imposed upon or reasonably incurred by such director or officer in connection with any civil or criminal action, suit or proceeding in which such director or officer may be named as a party defendant by reason of such director or officer being or having been such director or officer or by reason of any action alleged to have been taken or omitted by such director or officer at the Corporation's request. The right of indemnification herein provided for shall inure to each of the directors and officers of the Corporation, whether or not the respective director or officer is acting as such at the time such costs, expenses or liabilities are imposed or incurred, and in the event of such director's or officer's death shall extend to such director's or officer's legal representatives; but such rights shall not be exclusive of any other rights to which such director or officer may be entitled. The indemnification herein provided may not be relied upon by any persons or entities other than the officers and directors of the Corporation and there is no assumed or implied ratification by the Corporation of any criminal act of such officers or directors. Neither the amendment nor repeal of this section shall affect any right of protection of a person with respect to any act or omission occurring prior to the time of such repeal or modification. The indemnification provided by this section shall not be deemed exclusive of any other rights to which a director or officer or former director or former officer may be entitled under any other agreement or otherwise.

DESCRIPTION OF THE PROPERTIES
(ALL OF DONALL ESTATES)

Donall Estates, Unit 1, a subdivision in Burnet County, Texas according to the map or plat thereof recorded in Volume 2, Page 2 of the Plat Records of Burnet County, Texas.

Donall Estates, Unit 2, a subdivision in Burnet County, Texas according to the map or plat thereof recorded in Volume 2, Page 50 of the Plat Records of Burnet County, Texas.

Donall Estates, Unit 3, a subdivision in Burnet County, Texas according to the map or plat thereof recorded in Volume 2, Page 52 of the Plat Records of Burnet County, Texas.

Donall Estates, Unit 4, a subdivision in Burnet County, Texas according to the map or plat thereof recorded in Volume 2, Page 54 of the Plat Records of Burnet County, Texas.

Donall Estates, Unit 5 and Division of Tract "B" of Donall Estates Unit 1, a subdivision in Burnet County, Texas according to the map or plat thereof recorded in Volume 2, Page 102 of the Plat Records of Burnet County, Texas.