

BYLAWS
OF
RANCHCREST HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

General

Section 1. Name. The name of the corporation shall be RANCHCREST HOMEOWNERS ASSOCIATION, INC. ("Association").

Section 2. Principal Office. The principal office of the Association shall be at such location as may be designated by the Association's Board of Directors. All books and records of the Association shall be kept at its principal office.

Section 3. Definition. As used herein, the term corporation shall be synonymous with "Association" as defined in the Declaration of Covenants and Restrictions ("Declaration") of the Ranchcrest Subdivision, Phases One, Two and Three (the "Subdivision"), and the words "Property", "Lot", "Owner", "Common Areas", "Member" and "Declarant" are defined as set forth in the Declaration.

ARTICLE II

Directors

Section 1. Number and Term. The Directors named in the Articles of Incorporation will hold office until the first annual meeting of the Members and until their successors are elected and qualified. As set forth in the Declaration, the Declarant shall be entitled to appoint one (1) member of the Board of Directors for as long as Declarant owns at least one (1) lot. At the first annual meeting of the Members five (5) Directors will be elected who will be divided into two classes. There will be two (2) Directors in the first class, who will hold office until the first annual meeting of Members after their election and until their successors are elected and qualified; there will be three (3) Directors (including Declarant's representative) in the second class who will hold office until the second annual meeting of Members after their election and until their successors are elected and qualified; at each annual meeting of Members thereafter, Directors will be elected for the class whose term of office expires at that meeting, and they will hold office until the second annual meeting of Members after their election and until their successors are elected and qualified. The number of Directors which shall constitute the whole Board shall not be less than three (3) nor more than nine (9), and the number of Directors shall

be divided as nearly equal as possible between the two classes of Directors. Except for the Declarant's representative and other members of the initial Board of Directors, all Directors shall be Members.

Section 2. Vacancy and Replacement. If the office of any Director or Directors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office or otherwise, a majority of the remaining Directors, though less than a quorum, at a special meeting of directors duly called for this purpose, shall choose a successor or successors, who shall hold office for the unexpired portion of the term of the vacated office.

Section 3. Removal. Directors, other than the Declarant's representatives, may be removed for cause by an affirmative vote of a majority of the qualified votes of Members.

Section 4. First Board of Directors. The first Board of Directors named in the Articles of Incorporation shall hold office and exercise all powers of the Board of Directors as provided in Article VI of the Articles of Incorporation.

Section 5. Powers. The property and business of the Association shall be managed by the Board of Directors, which may exercise all corporate powers not specifically prohibited by statute, the Articles of Incorporation or the Declaration. The powers of the Board of Directors shall specifically include, but not be limited to, the following:

- A. To levy and collect regular and special assessments as provided in the Declaration;
- B. To use and expend the assessments collected to maintain, care for and preserve the Lots and Property, except those portions thereof which are required to be maintained, cared for and preserved by the Owners;
- C. To purchase the necessary equipment required in the maintenance, care and preservation referred to above;
- D. To enter into and upon the Lots when necessary, with as little inconvenience to the Owners as possible, in connection with said maintenance, care and preservation;
- E. To insure and keep insured said Property in the manner set forth in the Declaration, against loss from fire and/or other casualty and the Owners against public liability, and to purchase such other insurance as the Board of Directors may deem advisable;

- F. To collect delinquent assessments by suit or otherwise, abate nuisances and enjoin or seek damages from the Lot Owners from violations of these Bylaws and the Declaration;
- G. To employ and compensate such personnel as may be required for the maintenance and preservation of the Property;
- H. To make, enforce and administer reasonable rules and regulations for the occupancy of the Lots and use of the Common Areas;
- I. To acquire, rent or lease Lots in the name of the Association or a designee;
- J. To contract for management of the Property and to delegate to such other party or parties all powers and duties of the Association except those specifically required by the Declaration to have the specific approval of the Board of Directors or membership;
- K. To carry out the obligations of the Association under any easements, restrictions or covenants running with the Property; and
- L. To enforce compliance by Owners, Owners' occupants, families, guests, employees, agents or invitees of the Declaration, Bylaws and Rules; provided, however, no Director shall have personal liability for either enforcing or failing to enforce any such compliance.

Section 6. Compensation. Neither Directors nor officers shall receive compensation for their services as such.

Section 7. Meetings.

- A. The first meeting of each Board newly elected by the Members shall be held immediately upon adjournment of the meeting at which they were elected, provided a quorum shall then be present, or as soon thereafter as may be practicable. The annual meeting of the Board of Directors shall be held at the same place as the Members' meeting.
- B. Special meetings shall be held whenever called by the President or a majority of the Board. The Secretary shall give notice of each special meeting either personally, by mail or telegram, at least three (3) days before the date of such meeting, but the Directors may waive notice of the calling of the meeting.

- C. A majority of the Board shall be necessary at all meetings to constitute a quorum for the transaction of business, and the act of a majority present at any meeting in which there is a quorum shall be the act of the Board. If a quorum shall not be present at the meeting, the Directors then present may adjourn the meeting until a quorum shall be present.

Section 8. Order of Business. The order of business at all meetings of the Board shall be as follows:

- A. Roll call;
- B. Reading of Minutes of the last meeting;
- C. Resignations and elections;
- D. Reports of officers and employees;
- E. Reports of committees;
- F. Unfinished business;
- G. Original resolutions and new business; and
- H. Adjournment.

Section 9. Annual Statement. The Board shall present, no less often than at each annual meeting, a full and clear statement of the business and condition of the Association including a report of the operating expenses of the Association and the assessments paid by each Member.

ARTICLE III

Officers

Section 1. Executive Officers. The executive officers of the Association shall be a President, Vice-President, Treasurer and Secretary, all of whom shall be elected annually by said Board. Any two (2) of said offices may be united in one person, except that President shall not also be the Secretary or an Assistant Secretary of the corporation. If the Board so determines, there may be more than one Vice-President.

Section 2. Subordinate Officers. The Board of Directors may appoint such other officers and agents as they deem necessary, who shall hold office during the

pleasure of the Board of Directors and have such authority and perform such duties as from time to time may be prescribed by said Board.

Section 3. Tenure of Officers; Removal. All officers and agents shall be subject to removal, with or without cause, at any time by action of the Board of Directors, which may delegate such powers to any officer.

Section 4. The President.

- A. If present, the President shall be Chairman of and shall preside at all meetings of the Members and Directors; he shall have general and active management of the business of the Association except that which is delegated; shall see that all orders and resolutions of the Board are carried into effect; and shall execute bonds, mortgages and other contracts on behalf of the corporation.
- B. He shall have general superintendence and direction of all the other officers of the Association, and shall see that their duties are performed properly.
- C. He shall submit a report of the operations of the Association for the fiscal year to the Directors (whenever called for by them) and to the Members at the annual meetings, and from time to time shall report to the Board all matters within his knowledge which the best interests of the Association may require be brought to their notice.
- D. He shall be an ex official member of all committees, and shall have the general powers and duties of supervision and management usually vested in the office of the President of a corporation.

Section 5. The Vice-President. The Vice-President shall be vested with all the powers and required to perform all the duties of the President in his absence, together with such other duties as may be prescribed by the Board of Directors.

Section 6. The Secretary.

- A. The Secretary shall keep the minutes of meetings of the Members and of the Board of Directors in one or more books provided for that purpose;
- B. He shall see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law:
- C. He shall be custodian of the corporate records and of the seal, if any, of the Association and shall see that the seal, if any, of the Association is affixed

to all documents, the execution of which on behalf of the Association under its seal, if any, is duly authorized in accordance with the provisions of these Bylaws;

- D. He shall keep a register of the post office address of each Member, which shall be furnished to the Secretary by such Member;
- E. In general, he shall perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 7. The Treasurer.

- A. The Treasurer shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association, and shall deposit all monies and other valuable effects in the name and to the credit of the Association in such depositories as may be designated by the Board of Directors.
- B. He shall disburse the funds of the Association as ordered by the Board, taking proper vouchers for such disbursement, and shall render to the President and Directors, at the regular meeting of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Association.

Section 8. Vacancies. If the office of the President, Vice-President, Secretary or Treasurer becomes vacant by reason of death, resignation, removal, disqualification or otherwise, the Directors, by a majority vote of the Board of Directors, may choose a successor or successors who shall hold office for the unexpired portion of the term of the vacated office.

Section 9. Resignations. Any officer may resign his office at any time, in writing, which resignation shall take effect from time of its receipt by the Association, unless some later time be fixed in the resignation, and then from that date. The acceptance of a resignation shall not be required to make it effective.

ARTICLE IV

Membership

Section 1. Definition. Each Owner of a Lot of Ranchcrest Phase One, Ranchcrest Phase Two, and/or Ranchcrest Phase Three (including the Declarant) shall be a

Member of the Association, and membership in the Association shall be limited to Owners.

Section 2. Transfer of Membership and Ownership. Membership in the Association may be transferred only as an incident to the transfer of the transferor's Lot.

ARTICLE V

Meetings of Membership

Section 1. Place. All meetings of the Association membership shall be held at such place as may be stated in the notice of the meeting.

Section 2. Annual Meeting.

- A. The first annual meeting of Members shall be held at such time as the first election of Directors is to be held. In addition to the election of Directors at said first meeting, such other business as may properly come before the meeting may be transacted.
- B. Regular annual meetings subsequent to the first meeting shall be held each year on the first Monday in February, beginning February, 2002, if not a legal holiday, and if a legal holiday, then on the next Monday following.
- C. All annual meetings shall be held at the hour of 7:00 p.m.
- D. At the annual meeting, the Members, by a plurality vote (cumulative voting prohibited) shall elect a Board of Directors and transact such other business as may properly come before the meeting.
- E. Written notice of the annual meeting shall be served upon or mailed to each Member entitled to vote at such address as appears on the books of the Association, at least ten (10) days prior to the meeting.

Section 3. Membership List. At least ten (10) days before every election of Directors, a complete list of Members entitled to vote at said election, arranged numerically by Lots, with the residence of each Member, shall be prepared by the Secretary. Such list shall be produced and kept for said ten (10) days and throughout the election at the office of the Association, and shall be open to examination by any Member throughout such time.

Section 4. Special Meetings.

- A. Special meetings of the Members, for any purpose or purposes, unless otherwise prescribed by statute or by the Articles of Incorporation, may be called by the President, and shall be called by the President and Secretary at the request, in writing, of Members having not less than one-tenth (1/10th) of the votes entitled to be cast at such meeting. Such request shall state the purpose or purposes of the proposed meeting.
- B. Written notice of a special meeting of Members stating the time, place and object thereof, shall be served upon or mailed to each Member entitled to vote thereon, at such address as appears on the books of the Association, at least ten (10) days before such meeting.
- C. Business transacted at all special meetings shall be confined to the objects stated in the notice thereof.

Section 5. Quorum. Ten percent (10%) of the total Members of the Association, present in person or represented by written proxy, shall be requisite to and shall constitute a quorum at all meetings of the Members for the transaction of business, except as otherwise provided by statute, the Articles of Incorporation or these Bylaws. If, however, such quorum shall not be present or represented at any meeting of the Members, the Members entitled to vote at such meeting present in person or represented by written proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting originally called.

Section 6. Vote Required to Transact Business. When a quorum is present at any meeting, a majority of the votes cast, in person or represented by written proxy, shall decide any question brought before the meeting, unless the question is one which, by express provision by applicable statute, the Declaration, the Articles of Incorporation or these Bylaws requires a different vote, in which case such express provision shall govern and control the decision of such question.

Section 7. Right to Vote. Each Owner shall be a Member and shall be entitled to one (1) vote for each Lot in which they hold the interests required for membership. At any meeting of the Members, every Member having the right to vote shall be entitled to vote in person or by proxy. Such proxy shall only be valid for such meeting or subsequent adjourned meetings thereof. Proxies must be filed with the Secretary of the Association at or before the appointed time of each meeting of the Members of the Association.

If a Lot is owned by more than one Owner (other than husband and wife), whether individual or corporate, said Owners shall file a certificate with the Secretary naming the person authorized to cast said Lot's vote. If same is not on file, the vote of such Lot shall not be considered, nor shall the presence of said Owners at a meeting be considered in determining whether the quorum requirement has been met.

Section 8. Waiver and Consent. Whenever the vote of Members at a meeting is required or permitted by any provision of applicable statute, the Declaration, the Articles of Incorporation, or these Bylaws in connection with any action of the Association, the meeting and vote of Members may be dispensed with if all Members who would have been entitled to vote upon the action of such meeting if such meeting were held shall consent in writing at such action being taken.

Section 9. Order of Business. The order of business at annual Members' meetings will be:

1. Roll call;
2. Proof of Notice of Meeting or Waiver of Notice;
3. Reading of Minutes of Prior Meeting;
4. Officers' Reports;
5. Committee Reports;
6. Election of Board Member;
7. Unfinished Business;
8. New Business;
9. Adjournment.

ARTICLE VI

Notices

Section 1. Definition. Whenever under the provisions of applicable statutes, the Declaration, the Articles of Incorporation or these Bylaws, notice is required to be given to any Director or Member, it shall not be construed to mean personal notice, but such notice may be given in writing by mail, by depositing the same in a post office or letter box in a postpaid, sealed envelope, addressed as appears on the books of the Association.

Section 2. Service of Notice - Waiver. Whenever any notice is required to be given under the provisions of applicable statutes, the Declaration, the Articles of Incorporation or the Bylaws, a waiver thereof, in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed the equivalent thereof.

Section 3. Address. The address for notice of the Association shall be in care of the President or Secretary thereof, or at such other address as indicated in the records of the Association.

ARTICLE VII

Finances

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

Section 2. Checks. All checks or demands for money and notes of the Association shall be signed by any one of the following officers: President, Vice-President, Secretary or Treasurer, or by such officer or officers or such other person or persons as the Board of Directors may from time to time designate. The Board of Directors by resolution may require more than one (1) signature.

Section 3. Determination of Assessments.

- A. The Board of Directors shall fix the assessments provided for in the Declaration. The Board of Directors is specifically empowered on behalf of the Association to make and collect assessments, and to maintain, repair and replace the Common Areas of the Property. Said assessments shall be payable as provided in the Declaration. Special assessments, which may be required by the Board of Directors, shall be levied and paid in the same manner as hereinbefore provided for regular assessments.
- B. Unless otherwise specified in the Declaration or in writing by the Association, all assessments shall be payable in advance on or before the designated date and shall be deemed delinquent if not received by the Association on or before the tenth day following said date. Unless otherwise specified in writing by the Association, all assessments shall be and are payable to the Association at its principal office in McLennan County, Texas. It shall not be necessary for the Association to mail or present to any Owner a statement for the assessment, rather, it shall be each Owner's responsibility to pay each assessment as and when the same shall become due. When, in accordance with the Declaration, the Board of Directors has determined an increase or decrease in the assessment, or determined the need, if any, of any special assessment, the Secretary or Treasurer of the Association shall mail or present notice thereof, along with the effective date thereof and the due date thereof, to each of the Owners. Thereafter, no further notice shall be required of the Association

unless and until there shall be a subsequent increase or decrease in the assessment or another special assessment.

Section 4. Accounting and Audit. The Association shall keep detailed books of account showing all expenditures and receipt of the administration of the Property which shall specify the maintenance and repair expenses of the Common Areas and any other expenses incurred by or on behalf of the Association. Such books shall be open for inspection by the Owners during reasonable working hours on weekdays.

ARTICLE VIII

Rules and Regulations

In addition to the other provisions of these Bylaws, the Board of Directors is empowered to adopt and publish or caused to be published rules and regulations of the Association (the "Rules" as defined in Section 1.13 of the Declaration) governing the use, occupancy, and enjoyment of the Property and for the Common Areas, and the conduct therein of the Owners, any occupant of an Owner's Lot, or the Owner or occupant's family, quest, employee, agent or invitee, and each of same shall abide by the Rules. The Board of Directors is empowered to enforce compliance with the Declaration, the Bylaws and/or the Rules.

ARTICLE IX

Amendment

These Bylaws may be amended at any duly called meeting of the Members. The notice of the meeting shall contain a full statement of the proposed amendment. A quorum for such meeting shall be sixty percent (60%) of all the votes entitled to be cast. If the required quorum is not present at the first meeting, another meeting may be called not less than thirty (30) days from the date of the first meeting after giving the same notice provided for at the first meeting, and the required quorum at the second meeting shall be one-half (1/2) of the required quorum at the first meeting, and subsequent meetings in like manner may be called for this purpose, and at each subsequent meeting the quorum shall be reduced to one-half (1/2) of the required quorum at the last preceding meeting.

ARTICLE X

Construction

Wherever the masculine singular form of the pronoun is used in the Bylaws, it shall be construed to include the masculine, feminine or neuter, singular or plural, wherever the context so requires.

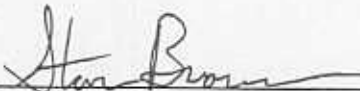
In the event these Bylaws shall be inconsistent with the Declaration, then the Declaration shall be controlling.

ARTICLE XI

Severability

In the event that any of the terms, provisions or covenants of these Bylaws are held to be partially or wholly invalid or unenforceable for any reason whatsoever, such holding shall not affect, alter, modify or impair in any manner whatsoever any of the other terms, provisions or covenants hereof or the remaining portions of any terms, provisions or covenants held to be partially invalid or unenforceable.

The undersigned, Directors and Secretary of the Association, do hereby certify the above Bylaws were duly adopted for the regulation of the affairs of the Association, at the initial meeting of the Board of Directors on the 24th day of October, 2000.



Secretary