

BYLAWS
OF THE
GARDENS AT SPICEWOOD CONDOMINIUMS
HOMEOWNERS' ASSOCIATION, INC.
A NONPROFIT CORPORATION

The name of this nonprofit corporation shall be The Gardens at Spicewood Condominiums Homeowner's Association, Inc. (The "Association").

ARTICLE I
PURPOSE AND PARTIES

1. The purpose for which this Association is formed is to govern the condominium regime known as The Gardens at Spicewood Condominiums, situated in the County of Travis, State of Texas, which property is described in that certain Declaration and Master Deed for The Gardens at Spicewood Condominiums ("Declaration"), and which property shall be submitted to the regime created by the Texas Condominium Act by the recording of the declaration and Exhibits thereto, including a true and correct copy of these Bylaws.

2. All present or future Owners, tenants, future tenants of any Unit, or any other person who might use in any manner the facilities of the Project are subject to the provisions and any regulations set forth in these Bylaws. The mere acquisition, lease, or rental of any Unit or the mere act of occupancy of a Unit will signify that these Bylaws are accepted, approved, ratified, and will be complied with.

ARTICLE II
MEMBERSHIP, VOTING, MAJORITY OF OWNERS, QUORUM, PROXIES

1. Membership. Except as is otherwise provided in these Bylaws, ownership of a Unit (including ownership under Contract for Deed) is required in order to qualify for membership in this Association. Any person on becoming an Owner of a Unit shall automatically become a Member of this Association and be subject to these Bylaws. Such membership shall terminate without any formal Association action whenever such person ceases to own a Unit, but such termination shall not relieve or release any such former Owner from any liability or obligation incurred under or in any way connected with this Association during the period of such ownership and membership in this Association, or impair any rights or remedies which the Owners have, either through the Board of Directors of the Association or directly against such former Owner and Member arising out of or in

any way connected with ownership and membership and the covenants and obligations incident thereto.

2. Voting. The Owner or Owners of each Unit shall be entitled to one vote, the value of which shall equal the Common Interest assigned to said Owner's or Owners' Unit, as set forth in Exhibit "C" to the Declaration.

3. Majority of Owners. As used in these Bylaws, the term "majority of Owners" shall mean those voting Owners holding fifty-one percent (51%) of the Common Interest.

4. Quorum. Except as otherwise provided in the Declaration or these Bylaws, the presence in person or by proxy of fifty-one percent (51%) of the Common Interest of the Owners shall constitute a quorum. In the event a quorum is not present, then the meeting called shall be adjourned, and notice of a new meeting for the same purposes within five (5) days to four(4) weeks shall be sent by mail or hand-delivered to each Unit, at which meeting the number of Owners represented in person or by proxy shall be sufficient to constitute a quorum. An affirmative vote of a majority of the Owners present, either in person or by proxy, shall be required to transact the business of the meeting.

5. Proxies. Votes may be cast in person or by written proxy. No proxy shall be valid after eleven (11) months from the date of its execution unless specifically provided in the proxy. All proxies must be filed with the Secretary or Assistant Secretary of the Association before the appointed time of each meeting.

ARTICLE III ADMINISTRATION

1. Association Responsibilities. The Owners will constitute the Association which will have the responsibility of administering the Project through a Board of Directors. In the event of any dispute or disagreement between any Owners relating to the Project, or any questions of interpretation or application of the provisions of the Project Documents, each dispute or disagreement shall be submitted to the Board. The determination of such dispute or disagreement by the Board shall be binding on each and all such Owners, subject to the right of Owners to seek other remedies provided by law after such determination by the Board.

2. Place of Meeting. Meetings of the Association shall be held at such suitable place, convenient to the Owners, as the Board of Directors may determine.

3. Annual Meetings. The annual meetings of the Association shall be held on or before forty-five (45) days after the expiration of the prior fiscal year. At such meetings there shall be elected by the owners Board of Directors members in accordance with the requirements of Paragraph 5 of Article IV of these Bylaws. The Owners may also transact such other business of the Association as may properly come before them.

4. Meetings. It shall be the duty of the President to call a special meeting of the Owners as directed by resolution of the Board of Directors or upon a petition signed by a majority of Owners and having been presented to the Secretary or Assistant Secretary of the Association. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business except as stated in the notice shall be transacted at a special meeting. Any such meetings shall be held after the first annual meeting and shall be held within thirty (30) days after receipt by the President of such resolution or petition.

5. Notice of Meetings. It shall be the duty of the Secretary or Assistant Secretary of the Association to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place it is to be held, to each Owner of record and to each Eligible Mortgagee (who may designate a representative to attend such meetings), at least ten (10) days, but not more than thirty (30) days prior to such meeting. The mailing of a notice in the manner provided in this paragraph shall be considered notice served.

6. Order of Business. The order of business at all meetings of the Owners of the Project shall be as follows:

- (a) Roll call and certifying proxies;
- (b) Proof of notice of meeting or waiver of notice;
- (c) Reading and disposal of unapproved minutes;
- (d) Reports of officers;
- (e) Reports of committees;
- (f) Election of directors;
- (g) Unfinished business;
- (h) New business; and
- (I) Adjournment

ARTICLE IV BOARD OF DIRECTORS

1. Number and Qualification. The affairs of this Association shall be governed by a Board of Directors consisting of five (5) persons serving staggered two year terms. The Board of Directors shall govern the affairs of this Association until their successors have been duly elected and qualified.

2. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of a residential condominium project in keeping with the character and quality of the neighborhood in which it is located. The Board of Directors may do all such acts and things except as by law or by these Bylaws or by the Declaration may not be delegated to the Board of Directors.

3. Other Powers and Duties. Such powers and duties of the Board of Directors shall include, but shall not be limited to, the following, all of which shall be done for and on behalf of the Owners

of the Condominiums:

(a) To administer and enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations and all other provisions set forth in the Declaration, the Bylaws of the Association, and supplements and amendments thereof.

(b) To establish, make and enforce compliance with such reasonable rules and regulations as may be necessary for the operation, use and occupancy of the Project with the right to amend same from time to time. A copy of such rules and regulations shall be delivered or mailed to each Owner promptly upon the adoption thereof.

(c) To acquire, construct, manage, maintain, and keep in good order, condition, and repair all of the General and Limited Common Elements and all items of common personal property used by the Owners in the enjoyment of the entire premises, except as such duty may be specifically designated herein to each Owner.

(d) To insure and keep insured all of the insurable General Common Elements of the Project in an amount equal to their maximum replacement value as provided in the Declaration. Maximum replacement value shall be determined annually by one or more written appraisals. Further, to obtain and maintain comprehensive public liability insurance as provided in the Declaration. To insure and keep insured all of the fixtures, equipment, and personal property acquired by the Association for the benefit of the Association and the Owners of the Units and their Mortgagees. The limits and coverage shall be reviewed at intervals of not less than one (1) year and adjusted, if necessary, to provide such coverage and protection as the Association may deem prudent. So long as the Federal Home Loan Mortgage Corporation (FHLMC) and/or the Federal National Mortgage Association (FNMA) is a Mortgagee of a Unit in the Project, or owns a unit therein, the Association shall maintain in effect at least such casualty, flood, and liability insurance and a fidelity bond, meeting standards established by FHLMC and FNMA for condominiums, as published in the FHLMC "Servicer's Guide" and the FNMA Conventional Home Mortgage Selling Contract Supplement or otherwise, except to the extent such requirements shall have been waived in writing by FHLMC and/or FNMA. Worker's Compensation insurance shall at all times be carried to the extent required to comply with any applicable law with respect to the employees, if any, of the Association.

(e) To prepare a Common Expense budget for the Project, at least annually; to determine the amount of common charges payable by the Owners to meet the Common Expenses and to allocate and assess such amounts among the Owners according to the Declaration and these Bylaws; by a majority vote of the Board, to decrease or increase the amount of the monthly Assessments; to levy and collect special Assessments whenever, in the opinion of the Board, it is necessary to do so in order to meet increased operation or maintenance expenses or costs, or additional capital expenses, or because of emergencies.

(f) To collect delinquent assessments by suit or otherwise and to enjoin and seek damages from an Owner who may be in default as is provided in the Declaration and these Bylaws.

To provide for and enforce a per diem late charge and to collect interest.

(g) To protect and defend the entire Project from loss and damage by suit or otherwise.

(h) 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 several obligation of all of the Owners in the same proportion as their Common Interests.

(I) To enter into contracts within the scope of their duties and powers.

(j) To establish a bank account or accounts for the common treasury and for all separate funds which are required or may be deemed advisable by the Board of Directors.

(k) To make repairs, additions, alterations, and improvements to the common Elements consistent with managing the Project in a manner in keeping with the character and quality of the neighborhood in which it is located, the best interest of the Owners, and the Declaration and these Bylaws.

(l) 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 Owners, and to cause a complete audit of the books and accounts once each year.

(m) To prepare and deliver annually to each Owner a statement showing receipts, expenses, or disbursements since the last such statement.

(n) To meet at least once each quarter, provided that any Board of Directors' meeting may be attended and conducted by telephone or other device which permits all of the Directors in attendance to participate in such meeting, and provide further that any action required to be taken at any meeting of the Board of Directors, or any action which may be taken at such meeting, may be taken without a meeting if consent in writing, setting forth the action so taken, shall be signed by all of the members of the Board.

(o) To designate the personnel necessary for the maintenance and operation of the General and Limited Common Elements.

(p) 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 governing and the operation of this Project.

(q) The Board of Directors may employ for the Association a management agent

("Managing Agent") who may be delegated and shall exercise some or all of the powers granted to the Board of Directors by the Declaration and Bylaws as determined by the Board, except for the powers of attorney-in-fact set forth in the Declaration.

(r) To prepare and file annual tax returns with the federal government and to make such elections as may be necessary to reduce or eliminate the tax liability of the Association. Without limiting the generality of the foregoing, the Board may, on behalf of the Association, elect to be taxed under Section 528 of the Internal Revenue Code or any successor statute conferring income tax benefits on homeowners' associations. In connection therewith, the Board shall take such steps as are necessary to assure that the income and expenses of the Association for any taxable year shall meet the limitations and restrictions provided in said Section 528 of the Internal Revenue Code or any successor statute conferring benefits on homeowners' associations as are in effect from time to time. The Board shall comply with the following limitations and restrictions:

(I) At least sixty percent (60%) of the gross income of the Association for any taxable year shall consist solely of amounts received as membership dues, fees, or assessments from Unit Owners;

(ii) At least ninety percent (90%) of the expenditures of the Association for any taxable year shall be for the acquisition, construction, management, maintenance, and care of Association property;

(iii) No part of the net earnings of the Association shall inure (other than by acquiring, constructing, or providing management, maintenance, and care of Association property and other than by a rebate of excess membership dues, fees, or assessments) to the benefit of any private Member or individual. In addition, the Board shall take such steps as are necessary to insure that substantially all of the Units will be used as residences.

4. No Waiver of Rights. The omission or failure of the Association or any Owner to enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations, or other provision of the Declaration, the Bylaws, or the rules and regulations adopted pursuant thereto, shall not constitute or be deemed a waiver, modification, or release thereof, and the Board of Directors or the Managing Agent shall have the right to enforce the same thereafter.

5. Election and Term of Office. The term of office of the Directors shall be two years. Two Directors are elected in even-numbered years and three Directors are elected in odd-numbered years. Election of Directors shall occur at the Annual meetings. The Directors shall choose the officers of the Association at their first meeting after the Annual meeting. The first meeting shall be held no later than ten (10) days after the Annual meeting.

6. Vacancies. Vacancies in the Board of Directors caused by death, resignation, or disqualification, or by any reason other than the removal of a Director by a vote of the Association, shall be filled by vote of the majority of the remaining Directors, even though they may constitute less

than a quorum; and each person so elected shall be a Director until a successor is elected at the next annual meeting of the Association.

7. Removal of Directors. At any regular or special meeting duly called, any one or more of the Directors may be removed with or without cause by a majority of Owners, and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Owners shall be given an opportunity to be heard at the meeting.

8. Organization Meeting. The first meeting of the newly elected Board of Directors following the annual meeting of the Owners shall be held within ten (10) days thereafter at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

9. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors but at least one such meeting shall be held during each calendar year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone, or telegraph, at least five (5) days prior to the day named for such meeting.

10. Special Meetings. Special meetings of the Board of Directors may be called by the President on five (5) days' notice to each Director, given personally or by mail, telephone, or telegraph, which notice shall state the time, place (as hereinabove provided), and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary or Assistant Secretary of the Association in like manner and on like notice on the written request of one or more Director.

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

12. Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

13. Fidelity Bonds. The Board of Directors may require that all officers and employees of the Association or of the Managing Agent, if any, handling or responsible for Association funds, shall

furnish fidelity bonds in accordance with the Declaration. The premiums on such bonds shall be a Common Expense.

14. Compensation. No member of the Board of Directors shall receive any compensation for acting as such.

ARTICLE V FISCAL MANAGEMENT

The provision for fiscal management of the Project for and in behalf of all of the Owners as set forth in the Declaration shall be supplemented by the following provisions:

1. Accounts. The funds and expenditures of the Owners by and through the Association shall be credited and charged to accounts under the following classifications as shall be appropriate, all of which expenditures shall be Common Expenses:

(a) Current expense, which shall include all funds and expenditures within the year for which the funds are budgeted, including a reasonable allowance for contingencies and working funds, except expenditures chargeable to reserves and to additional improvements.

(b) Reserve for deferred maintenance, which shall include funds for maintenance items which occur less frequently than annually.

(c) Reserve for replacement (sinking funds), which shall include funds for repair or replacement required because of damage, wear, or obsolescence.

2. Fiscal Year. The fiscal year for the Association shall be the calendar year.

ARTICLE VI OFFICERS

1. Designation. The officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors, and such assistant officers as the Board of Directors shall, from time to time, elect. Such officers need not be members of the Board of Directors, but each shall be either an Owner of a Unit or, if the Owner is a firm, partnership, corporation, association, or other legal entity, or the authorized representative of such entity. The office of President and Treasurer may be held by the same person, and the office of Vice President and Secretary may be held by the same person.

2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board and shall hold office subject to the

continuing approval of the Board.

3. Resignation and Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose. Any officer may resign at any time given written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4. Vacancies. A vacancy in any office because of the death, resignation, removal, disqualification, or otherwise of the officer previously filling such office maybe filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

5. President. The President shall be the chief executive officer of the Association. He, or she, shall preside at all meetings of the Association and of the Board of Directors. He, or she, shall have all of the general powers and duties which are usually vested in the office of president of an association, including but not limited to the power to appoint committees from among the Owners from time to time as he, or she, may in his, or her, discretion decide is appropriate to assist in the conduct of the affairs of the Association or as may be established by the Board or by the Members of the Association at any regular or special meetings.

6. Vice President. The Vice President shall have all the powers and authority and perform all the functions and duties of the President, in the absence of the President, or his, or her, inability for any reason to exercise such powers and functions or perform such duties, and also perform any duties he, or she, is directed to perform by the President.

7. Secretary. The Secretary shall keep all the minutes of the meetings of the Board of Directors and the minutes of all meetings of the Association; he, or she, shall have charge of such books and papers as the Board of Directors may direct; and he, or she, shall, in general, perform all the duties incident to the office of Secretary and as is provided in the Declaration and the Bylaws.

The Secretary shall compile and keep up to date at the principal office of the Association a complete list of Members and their last known addresses as shown on the records of the Association. Such list shall also show opposite each Member's name the number or other appropriate designation of the Unit owned by such Member and the undivided percentage interest in the Common Elements of such member. Such list shall be open to inspection by Members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

8. Assistant Secretary. The Assistant Secretary, if any, shall have all the powers and authority to perform all the functions and duties of the Secretary in the absence of the Secretary or in the event of the Secretary's inability for any reason to exercise such powers and functions or to

perform such duties, and also to perform any duties he, or she, is directed to perform by the Secretary.

9. Treasurer. The Treasurer shall have responsibility for Association funds and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He, or she, shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board of Directors. In the event a Managing Agent has the responsibility of collecting and disbursing funds, the Treasurer shall review the accounts of the Managing Agent within fifteen (15) days after the first of each month.

ARTICLE VII INDEMNIFICATION OF OFFICERS, DIRECTORS, AND MANAGING AGENT

1. Indemnification. The Association shall have the power to indemnify any Officer or Director thereof who was or is a party, or is threatened to be made a party, to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (whether or not by or in the right of the Association), by reason of the fact that such person is or was a Director or Officer of the Association, against all loss, expenses (including but not limited to attorneys' fees and cost of the proceeding), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with or in defense of such action, suit, or proceeding if such person acted in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Association; provided, that with respect to: (1) any criminal action or proceeding, such person had no reasonable cause to believe that his conduct was unlawful; or (2) any civil claim, issue, or matter, such person shall not be guilty of gross negligence or willful misconduct in the performance of his duties to the Association. Termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that such person had reasonable cause to believe that his conduct was unlawful, that such person did not act in good faith or in a manner which he reasonably believed to be in or not opposed to the best interests of the Association, or that such person is guilty of gross negligence or willful misconduct in the performance of his duties to the Association, all such matters being determined solely and exclusively for the purpose of indemnification as herein provided.

Indemnification under the preceding paragraph shall be made by the Association only as authorized in each specific case upon the determination that indemnification of such person is proper in the circumstances because he has met the applicable standards of conduct as set forth herein. Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such action, suit, or proceeding; or (2), if such a quorum is not obtainable, by (a) independent legal counsel in a written opinion, or (b) the Members of the Association and no Member shall be disqualified from voting because he is or was a party to any such action, suit, or proceeding. Indemnification so determined may be paid, in part, before the

termination of such action, suit, or proceeding upon receipt by the Association of any undertaking by or on behalf of the person claiming such indemnification to repay all sums so advanced if it is subsequently determined that he is not entitled thereto as provided in this Article.

To the extent that a Director or Officer of the Association has been successful on the merits or otherwise in the defense of any action, suit, or proceeding, whether civil or criminal, such person shall be indemnified against such expenses (including costs and attorneys' fees) actually and reasonably incurred by him in connection therewith.

Indemnification provided herein shall be exclusive of any and all other rights and claims to which those indemnified may be entitled as against the Association, and every Director, Officer, employee thereof under any Bylaw, resolution, agreement, or law, and any request for payment hereunder shall be deemed a waiver of all such other rights, claims, or demands as against the Association and each Director, Officer and employee thereof. The indemnification provided herein shall inure to the benefit of the heirs, executors, administrators, and successors of any person entitled thereto under the provisions of this Article.

The Association may purchase and maintain insurance on behalf of any person who is or was a Director, Officer, employee, or agent of the Association against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability under the provisions of this Article.

All liability, loss, damage, cost, and expense incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as Common Expenses; provided, however, that nothing in this Article VII contained shall be deemed to obligate the Association to indemnify any Member or Owner of a Unit who is or has been a Director or Officer of the Association with respect to any duties or obligations assumed or liability incurred by him under and by virtue of the Declaration and these Bylaws that were assumed or incurred outside of his conduct specifically related to the fulfillment of his duties as an Officer or Director of the Association.

2. Other. The Board of Directors, Officers, or the Managing Agent shall enter contracts or other commitments as agents for the Association, and they shall have no personal liability for any such contract or commitment (except such liability as may be ascribed to them in their capacity as Owners), provided, however, that such exclusion of personal liability shall apply to the Managing Agent only so long as it is acting within its scope of authority, and the liability of any Owner on such contract or commitment shall be limited to such proportionate share of the total liability thereof that the Common Interest of each Owner bears to the aggregate Common Interest of all of the Owners as set forth in Exhibit "B" of the Declaration.

ARTICLE VIII AMENDMENTS TO THE BYLAWS

Except for "material" amendments as set forth in Article XIII, Section 6, of the Declaration, these Bylaws may be amended in writing by the majority of the owners; provided, however, that such authority may be delegated by the majority of Owners to the Board as allowed by the Texas Non-Profit Corporation Act. Those amendments deemed "material" may only be accomplished by a vote of the Owners and Eligible Mortgage Holders as specified in the Declaration.

ARTICLE IX EVIDENCE OF OWNERSHIP, REGISTRATION OF MAILING ADDRESS, AND DESIGNATION OF VOTING REPRESENTATIVE

1. Proof of Ownership. Any person, on becoming an Owner of a Unit, shall furnish to the Managing Agent or Board of Directors a true and correct copy of the original or a certified copy of the recorded instrument vesting that person with an interest or ownership in the Unit, which copy shall remain in the files of the Association. A member shall not be deemed to be in good standing nor shall he be entitled to vote at any annual or special meeting of Members unless this requirement is first met.

2. Registration of Mailing Address. The Owner or several Owners of an individual Unit have one and the same registered mailing address to be used by the Association for mailing of monthly statements, notices, demands, and all other communications, and such registered address shall be the only mailing address of a person or persons to be used by the Association. Such registered address of an Owner or Owners shall be deemed to be the mailing address of the Unit owned by said Owner or Owners unless a different registered address is furnished by such Owner(s) to the Managing Agent or Board of Directors within fifteen (15) days after transfer of title, or after a change of address; and such registration shall be in written form and signed by all of the Owners of the Unit or by such persons as are authorized by law to represent the interest of (all of) the Owner(s) thereof.

3. Designation of Voting Representative - Proxy. If a Unit is owned by one individual, his right to vote shall be established by the record title thereto. If title to a Unit is held by more than one individual or by a firm, corporation, partnership, association, or other legal entity, or a combination thereof, such Owners shall execute a proxy appointing and authorizing one individual or alternate individuals to attend all annual and special meetings of Members and thereat to cast whatever vote the Owners themselves might collectively cast if they were personally present. Such proxy shall be effective and remain in force unless voluntarily revoked, amended, or sooner terminated by operation of law; provided, however, that no proxy shall be valid after eleven (11) months from the date of execution unless specifically provided therein. Also, within thirty (30) days after such revocation, amendment, or termination, the Owners shall reappoint and authorize one individual or alternate individuals to attend all annual and special meetings as provided by this paragraph 3.

The requirements herein contained in this Article IX shall be first met before an Owner of a Unit shall be deemed in good standing and entitled to vote at an annual or special meeting.

ARTICLE X OBLIGATIONS OF THE OWNERS

1. Assessments.

(a) Monthly Assessments. Assessments shall be due monthly in advance on the first day of each month. After monthly Assessments have been set by the Board of Directors, the Board of Directors shall prepare and deliver or mail to each Owner an individual statement of the Owner's monthly Assessment; thereafter, monthly statements shall be prepared and delivered or mailed only in the event of a change in the monthly Assessment, the levying of a special Assessment, or in the event an Owner becomes delinquent in payment of the monthly Assessment.

The Assessments made for Common Expenses shall be based upon the cash requirements deemed to be such aggregate sum as the Board of Directors of the Association determines is to be paid by all of the Owners, to provide for the payment of all estimated expenses growing out of or connected with the maintenance, repair, operation, additions, alterations, and improvements of and to the Common Elements, which sum may include, but shall not be limited to: expenses of management; taxes and special assessments until separately assessed; premiums for fire insurance with extended coverage and vandalism and malicious mischief with endorsements attached issued in the amount of the maximum replacement value of all of the Units (including all fixtures, interior walls and partitions, decorated and finished surfaces of perimeter walls, floors and ceilings, doors, windows, and other elements or materials comprising a part of the Units); casualty and public liability and other insurance premiums; care of grounds; common lighting; repairs and innovations; removals of pollutants and trash collections; wages; professional, including legal and accounting fees, management fees, expenses and liabilities incurred by the Managing Agent or Board of Directors on behalf of the Owners under or by reason of this Declaration and the Bylaws of the Association; for any deficit arising or any deficit remaining from a previous period; the creation of a reasonable contingency fund, working capital, and sinking funds, as well as other costs and expenses relating to the Common Elements. Utility expenses may increase from the amount budgeted because of rate or usage increased or fuel cost adjustments, and other budgeted line items may increase from time to time. In the event the cash requirements for utility expenses or any other recurring expense exceed the budget amount for that particular expense line item, or in the event that cash requirements for Common Expenses exceed the aggregate assessments made pursuant to this Article, the Board of Directors for the Association may from time to time and at any time make a pro rata increases in the monthly Assessments to include amounts sufficient to recoup operating budget deficits for utility expense or other recurring budget line item expenses or Common Expenses in the aggregate, as well as including increased current operating expenses. The omission or failure to fix the assessment for any period shall not be deemed a waiver, modification, or a release of the Owners from their obligation to pay the same.

(b) Special Assessments. In addition to those monthly assessments described in Paragraph (a) above, special Assessments may be made from time to time by the Board of Directors of the Association to meet other needs or to construct or establish facilities deemed of benefit to the Association and the Owners by the Board of Directors, or to overcome deficits in the monthly operating budgets. Such limitations shall not be applicable, however, to special Assessments for the replacement, repair, maintenance, or restoration of any Common Elements which are to be paid for by the Association according to the Declaration and these Bylaws and shall not be applicable to the purchase, if any, by the Association of a Unit for use as an office of this Association.

(c) Voting. A member shall be deemed in good standing and entitled to vote at any annual or special meeting of the Members, within the meaning of these Bylaws, if, and only if, he shall have fully paid all Assessments made or levied against him and the Unit owned by him.

(d) Owner's Personal Obligation for Payment of Assessments. The amount of total Assessments against each Unit shall be the personal and individual debt of the Owner thereof. The Board of Directors shall have the responsibility to take prompt action to collect any unpaid Assessment in accordance with the terms of the Declaration.

2. Vendor's Lien. The obligation of each Owner to pay Assessments shall be secured by a Vendor's Lien retained in said Owner's Deed to his Unit, said Vendor's Lien being more particularly described in Section 4.3 of the Declaration.

3. Notice of Lien or Suit. An Owner shall give notice to the Association of every lien or encumbrance upon his Unit, other than for taxes and special Assessments, and notice of every suit or other proceeding which may affect the title to his Unit, and such notice shall be given within five (5) days after the Owner has knowledge thereof.

4. Owner's Maintenance and Repair.

(a) Maintenance and repair shall be according to the Declaration. An Owner shall maintain and keep in repair the interior of his own Unit, including the fixtures thereof. All fixtures and equipment installed within the Unit commencing at a point where the utilities enter the Unit shall be maintained and kept in repair by the Owner thereof (unless the cost of said maintenance and repair is otherwise herein designated a Common Expense). An Owner shall do no act nor omit to do any act that will impair the structural soundness or integrity of any Building or impair any easement or hereditament (nor shall he make any changes to the individual patio or balcony appurtenant to his Unit, if any.)

(b) An owner shall be obligated to reimburse the Association promptly upon receipt of its statement for any expenditures incurred by it in repairing or replacing any General or Limited Common Element damaged by his negligence or by the negligence of his tenants or agents or guests.

5. Mechanic's Lien. Each Owner agrees to indemnify and to hold each of the other Owners harmless from any and all claims of mechanics' lien filed against other Units and the appurtenant Common Elements for labor, materials, services, or other products incorporated in the Owner's Unit.

In the event such a lien is filed and/or a suit for foreclosure of mechanic's lien is commenced, then within ten (10) days thereafter such Owner shall be required to deposit with the Association cash or negotiable securities equal to double the amount of such claim plus interest at eighteen percent (18%) per annum for one (1) year together with the sum equal to ten percent (10%) of the amount of such claim, but not less than Two Hundred Fifty Dollars (\$250), which latter sum may be used by the Association for any costs and expenses incurred, including attorney's fees incurred for legal advice and counsel. Except as is otherwise provided, such sum or securities shall be held by the Association pending final adjudication or settlement of the claim or litigation. Disbursement of such funds or proceeds shall be made by the Association to insure payment of or on account of such final judgment or settlement. Any deficiency, including attorney's fees incurred by the Association, shall be paid forthwith by the subject Owner, and his failure to so pay shall entitle the Association to make such payment, and the amount thereof shall be a debt of the Owner, and a lien against his Unit may be foreclosed as is provided in the Declaration for non-payment of Assessments. All advancements, payments, costs, and expenses, including attorney's fees, incurred by the Association shall be forthwith reimbursed to it by such Owner(s), and the Owner(s) shall be liable to the Association for the payment of interest at the rate of eighteen percent (18%) per annum on all such sums paid or incurred by the Association.

6. General.

(a) Each Owner shall comply strictly with the provisions of the recorded Declaration and these Bylaws and amendments thereto.

(b) Each Owner shall always endeavor to observe and promote the cooperative purposes for the accomplishments of which this Project was declared.

7. Use of General Common Elements and Limited Common Elements. Each Owner may use the General Common Elements and Limited Common Elements in accordance with the purpose for which they were intended without hindering or encroaching upon the lawful rights of the other Owners.

(a) Description of buildings. (Reference Article 1, Paragraph 1.1e of the Declaration) Inasmuch as each unit in the Project is a separate building, there are no common walls, either interior or exterior. Any rules and regulations or other references in these Bylaws either directly or indirectly applicable specifically to condominium units or common-wall, multi-unit construction are therefore not applicable.

(b) Clarification of the definition of General Common Elements and Limited Common Elements as they relate specifically to the configuration of this Project. (Reference Article 1,

Paragraph 1.1 l & n, of the Declaration) Those portions of the Project defined as General Common Elements shall include all drives, walkways, parking areas, mailbox station, all landscaping features (including, but not limited to, grounds, lawn areas, fences, trees and shrubs, landscape/walkway lighting, French drains around Units, sprinklers), and the exterior walls and roofs of each individual Unit, except for the fence-enclosed private courtyard areas adjacent to each individual Unit. These courtyards are defined as Limited Common Elements (Reference Article I, Paragraph 1.1 n of the Declaration), and the maintenance, repair, and upkeep of the area and property within each of these courtyards, including any trees and shrubs, is the responsibility of the Owner of the appurtenant Unit.

Other items mentioned in the referenced paragraphs of the Declaration that are normally considered Common Elements in many projects (e.g., swimming pool, tennis courts, clubhouse, management office, etc.) simply do not exist on the grounds of this Project. Therefore, any references to such items do not apply.

(c) Parking. No parking is allowed behind garages. Exceptions are delivery or service vehicles on a temporary basis. There are lined spaces in the special parking areas, convenient to all units, for our own additional cars and for those of guests. (The designated marked parking spaces are between units 12 and 13, between units 6 and 7, and adjacent to unit 1.) This regulation is strictly enforced in the interest of safety, aesthetic appeal, and the protection of grass and sprinkler heads. Please park in your garage.

(d) Signs. "For Sale," "For Rent," or similar signs are not permitted to be displayed at any time in, on, or around any individual Unit in the Project. Such signs may be posted only on the Project's "master sign" located at the south end of the Project. This "master sign" will be used only for notices of Units available for sale or lease, and any notices posted there must exactly follow the format outlined by the Architectural Committee. A sample will be available for review in the files of the Board of Directors and of the Managing Agent. Any notices posted on the "master sign" that do not follow the approved format, and any signs posted anywhere else on the Project grounds or on or in an individual Unit are subject to being removed by the Board of Directors or the Managing Agent.

(e) Animals. No animals or birds of any kind may be kept and raised in any Unit or anywhere on the Project grounds for the purposes of breeding. However, small domesticated household pets (forty (40) pound limit) are allowed to be kept by Unit Owners, subject to the following stipulations:

(i) Each Owner is allowed to keep no more than one pet.

(ii) Each Owner is fully responsible for controlling his pet to insure that it is not a nuisance to other residents or guests.

(iii) If an Owner allows his pet outside of his Unit or the fenced courtyard area adjacent to his Unit, the Owner must accompany the pet at all times and is responsible for the pick-up

and removal of any animal waste left by his pet in the Common areas of the Project.

(f) Refuse containers. All trash containers of any kind shall be concealed from the view of the other Units and the Common drive areas of the Project. Except for the designated trash collection day, all such containers must be stored in Unit garages or courtyards.

8. Right of Entry.

(a) An Owner shall grant the right of entry to the Managing Agent or to any other person authorized by the Association in case of an emergency originating in or threatening his Unit, whether the Owner is present at the time or not.

(b) An Owner shall permit other Owners, or their representatives, to enter his Unit for the purpose of performing installations, alterations, or repairs to the mechanical, electrical, or utility services which, if not performed, would affect the use of other Unit(s); provided that requests for entry are made in advance and that such entry is at a time convenient to the Owner. In case of an emergency, such right of entry shall be immediate.

9. Rules and Regulations. The Board of Directors, pursuant to paragraph 3(b) of Article IV of these Bylaws, reserves the power to establish, make, and enforce compliance with such rules as may be necessary and desirable for the efficient and enjoyable operation, use, and occupancy of this Project with the right to amend same from time to time. Copies of such rules and regulations shall be furnished to each Owner prior to the date when the same shall become effective.

ARTICLE XI ABATEMENT AND ENJOINMENT OF VIOLATIONS BY OWNERS

The violation of any rule or regulation, or the breach of any Bylaw, or the breach of any provision of the Declaration, shall give the Board of Directors or the Managing Agent the right, in addition to any other rights set forth in the Declaration or herein, (i) to enter the Unit in which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Unit Owner, any person, structure, thing, or condition that may exist therein contrary to the intent and meaning of the provisions thereof, and the Board of Directors or Managing Agent shall not be deemed guilty in any manner of trespass; and to expel, remove, and put out, using such force as may be necessary in so doing, without being liable to prosecution or any damages therefor; and (ii) to enjoin, abate, or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach.

ARTICLE XII COMMITTEES

1. Designation. The Board of Directors may, but shall not be required to, appoint an executive committee, and it may designate and appoint members to the standing committees.

2. Executive Committee. The executive committee shall consist of at least three (3) persons who are Members and who shall be appointed by the Board of Directors from the members of the Board. One Member shall be the President. The executive committee shall supervise the affairs of the Association and shall regulate its internal economy, approve expenditures and commitments, act and carry out the established policies of the Association, and report to the Directors at each meeting of the Board. The executive committee may hold regular meetings, monthly or as it may in its discretion determine. Special meetings may be called at any time by the chairman of the committee or by any of its members, either personally or by mail, telephone, or telegraph, and a special meeting may be held by telephone.

3. Nominating Committee. Before each annual meeting, the Board of Directors may appoint a committee of three Members who shall nominate candidates for the Board. The names of the candidates shall be submitted on or before sixty (60) days before the election. Members may submit names of candidates other than those submitted by the nominating committee at least thirty (30) days prior to the election. Unless such names are submitted, either by the nominating committee or by the Members, no person shall be elected whose name is not so submitted unless no nominations are made, in which event the names of candidates shall be submitted at the election by the Members.

4. Architectural Committee. Unless and until the Association has appointed an Architectural Control Committee, the Board of Directors shall perform the functions of the Architectural Control Committee. In addition, the Board of Directors shall appoint other committees as deemed appropriate to carrying out its purpose.

5. Vacancies. A vacancy in any committee shall be filled by the President until the next meeting of the Board of Directors.

ARTICLE XIII NON-PROFIT ASSOCIATION

The Association is not organized for profit. No Member, member of the Board of Directors, officer, or person from whom the Association may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Association be paid as salary or compensation to, or distributed to, or inure to the benefit of any member of the Board of Directors, officer, or Member; provided, however, always (1) that reasonable compensation may be paid to any Member, director, or officer while acting as an agent or employee of the Association for services rendered in effecting one or more of the purposes of the Association, and (2) that any Member, director, or officer may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

ARTICLE XIV
EXECUTION OF DOCUMENTS

The persons who shall be authorized to execute any and all contracts, documents, instruments, or conveyance or encumbrances, including promissory notes, shall be two, one of each of the President or any Vice President, and the Secretary or any Assistant Secretary of the Association.

ARTICLE XV
PROXY TO TRUST

Owners shall have the right to irrevocably constitute and appoint their Mortgagees their true and lawful attorney to vote their Unit membership in this Association at any and all meetings of the Association and to vest in such beneficiary or his nominees any and all rights, privileges, and powers that they have as Owners under the Bylaws of this Association or by virtue of the Declaration. Such proxy shall become effective upon the filing of a notice by the beneficiary with the Secretary or Assistant Secretary of the Association at such time or times as the beneficiary shall deem its security in jeopardy by reason of the failure, neglect, or refusal of the Association, its Managing Agent, or the Owners to carry out their duties as set forth in the Declaration. Such proxy shall be valid until such time as a release of the beneficiary's deed of trust is executed and a copy thereof delivered to the Secretary or Assistant Secretary of the Association, which shall operate to revoke such proxy. Nothing herein contained shall be construed to relieve Owners or to impose upon the beneficiary of the Deed of Trust the duties and obligations of an Owner.

ARTICLE XVI
CONFLICTING OR INVALID PROVISIONS

Notwithstanding anything contained here into the contrary, should all or part of any Article of these Bylaws be in conflict with the provisions of the Texas Non-Profit Corporation Act or the Texas Condominium Act, as amended, such Acts shall control; and should any part of these Bylaws be invalid or inoperative for any reason, the remaining parts, so far as is possible and is reasonable, shall be valid and operative.

ARTICLE XVII
NOTICES

All notices to Members of the Association shall be given by delivering the same to each Owner in person or by depositing the notices in the U. S. Mail, postage prepaid, addressed to each Owner at the address last given by each Owner to the Secretary for mailing of such notices, all such notices shall be sent to the Unit of such Owner, and all Owners shall be deemed to have been given notice of the meetings upon the proper mailing of the notice to such addresses irrespective of the

actual receipt of the notices by the Owners.

By our signatures hereto, the undersigned, being all the Directors of the Association, hereby adopt the foregoing Bylaws and amendments thereto for the Association, as formally approved by majority vote of the Owners at the 1998 Annual Meeting of The Gardens at Spicewood Homeowners' Association on _____, 1998. Signed this _____ day of _____, 1998.

Joe Horsley, President

Michelle Bubnis, Vice President

J.W. Donaldson, Treasurer

Ora Votti, Secretary

Gary Baughn, Director

CAROL A WOLF
Carol A. Wolf, 7/6/98
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