

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
THE VILLAS OF KATY CROSSING OWNERS' ASSOCIATION, INC.

SECTION TWO

This Declaration of Covenants, Conditions and Restrictions is made by GAVURNIK HOMES, L.P., a Texas limited partnership, hereinafter referred to as "Declarant", and Kennedy Properties of Texas, L.P., a Texas limited partnership.

W I T N E S S E T H:

WHEREAS, Kennedy Properties of Texas, L.P., a Texas limited partnership, is the owner of certain real property located in Williamson County, Texas, being the same property described in that certain subdivision plat entitled RECORD FINAL PLANNED UNIT DEVELOPMENT OF KATY CROSSING SECTION TWO recorded in Cabinet P, Slides 3, 4, 5 and 6, Plat Records, Williamson County, Texas hereinafter referred to as the "Property"; and

WHEREAS, Declarant is the developer of the Property and will close on the purchase of the Property following recording of the Final Plat of the Property and this Declaration;

WHEREAS, Declarant desires to implement certain requirements of a Planned Unit Development approved by Ordinance No. 95-09 by the City Council of the City of Georgetown, Williamson County, Texas, on March 16, 1995; hereinafter called "PUD"; and

WHEREAS, Declarant desires to convey the Property subject to certain protective covenants and conditions, restrictions, liens and charges hereinafter set forth; and

WHEREAS, the Declarant desires to create and carry out a uniform plan for the improvement, development and sale of the Property for the benefit of the present and future owners of the Property, Declarant hereby adopts and establishes the following declaration of reservations, restrictions, covenants, conditions and easements to apply uniformly to the use, improvement, occupancy, and conveyance of all the Property,

NOW, THEREFORE, Declarant hereby declares that all of the Property described above shall be held, sold, conveyed and occupied subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, the Property and shall be binding on all parties having any right title or interest in or to the Property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

OFFICIAL RECORDS
WILLIAMSON COUNTY, TEXAS

ARTICLE I DEFINITIONS

Section 1. "Association" shall mean and refer to **THE VILLAS OF KATY CROSSING OWNERS' ASSOCIATION, INC.**, a nonprofit corporation organized pursuant to the Texas Non-profit Corporation Act, and its successors and assigns.

Section 2. "Board of Directors" or "Board" shall mean the elected and governing body of the Association.

Section 3. "Improved Lot" shall mean a Lot with a completed single family residence constructed thereon.

Section 4. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision plat of the Property, including improvements thereto, with the exception of Lot 5, Block C (the Stormwater Easement and Drainage Right-of-way) and Lot 10, Block C (hereinafter referred to as the "Multi-Family Tract").

Section 5. "Maintenance Areas" shall mean all property now or hereafter maintained by the Association including, without limitation, the Common Areas, if any, and any parks, drainage easement areas, streets, rights-of-way, medians, entry strips, signs and lighting systems on or adjacent to the Property.

Section 6. "Member" shall mean and refer to a person or entity entitled to membership in the Association, as provided herein.

Section 7. "Mortgage" shall mean a lien interest in a Lot given to a creditor as security for repayment of a loan made to the Owner.

Section 8. "Mortgagee" shall mean a beneficiary of a Mortgage.

Section 9. "Mortgagor" shall mean the trustor of a Mortgage.

Section 10. "Multi-Family Tract" shall mean the 7.570 acre tract described as Lot 10, Block C of the Property.

Section 11. "Owner" shall mean and refer to one or more persons or entities who own the record title to any Lot which is a part of the Property, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Lot is sold under a recorded contract of sale, the purchaser (rather than the fee owner) will be considered the Owner.

Section 12. "Person" means a natural person, corporation, partnership, trustee, or other legal entity.

Section 13. "Property" shall mean and refer to the real property described on Page 1 of this Declaration, and shall further refer to such additional property as may hereafter be annexed by Subsequent Amendment to this Declaration or which is owned by the Association.

Section 14. "Restrictions" shall mean, collectively this Declaration, together with any and all Supplemental Declarations, as the same may be amended from time to time, the Design Guidelines, the Articles and Bylaws and the Rules and Regulations described in Article IV, Section 1, from time to time in effect, as the same may be amended from time to time.

Section 15. "Subsequent Amendment" shall mean an amendment to this Declaration which adds additional property to that covered by this Declaration or withdraws certain property from this Declaration. Such Subsequent Amendment may, but is not required to, impose, expressly or by reference, additional restrictions and obligations on the Property submitted by that Amendment to the provisions of this Declaration. The withdrawal of a portion of the Property from this Declaration, shall be approved by the Declarant, the City of Georgetown and the owner(s) of the property being withdrawn.

ARTICLE II THE ASSOCIATION

Section 1. Organization. Declarant shall, at such times as Declarant deems appropriate, cause the formation and incorporation of the Association. The Association shall be a nonprofit corporation created for the purposes, charged with the duties, and vested with the powers prescribed by law or set forth in its Articles and By-laws or in this Declaration.

Section 2. Membership. Every Owner shall be deemed to have a membership in the Association, and shall remain a member thereof until the Owner's ownership ceases for any reason, at which time the Owner's membership in the Association shall automatically cease. Each Owner's membership in the Association shall be appurtenant to and shall automatically follow the legal ownership of the Lot and may not be separated from such ownership. Whenever the legal ownership of a Lot passes from one person to another, by whatever means, it shall not be necessary in any instrument to provide for transfer of membership in the Association, and no certificate of membership will be issued.

Section 3. Voting. The Association shall have two classes of membership, Class "A" and Class "B", as follows:

(a) Class "A". Class "A" members shall be all Owners with the exception of the Class "B" members, if any. Class "A" members shall be entitled to one (1) vote in the Association for each Lot it owns in the Property. When more than one person holds an interest or interests

in the Property, all such persons shall be Members, and the votes for such portion of the Property shall be exercised as they among themselves determine.

(b) Class "B". The Class "B" members shall be the Declarant and any successor of Declarant who takes title for the purpose of development and sale and who is designated as such in a recorded instrument executed by Declarant. The Class "B" members shall be entitled to three (3) votes in the Association for each Lot it owns in the Property. The Class "B" membership shall cease and become converted to Class "A" membership on the happening of the earlier of the following events:

- (1) Six (6) years after the date of the first conveyance of a Lot to a person other than Declarant;
- (2) When Declarant, in its sole discretion, so chooses.

Thereafter, the Class "B" members shall be deemed to be a Class "A" member entitled to the vote(s) set out above. At such time, the Declarant shall call a meeting, as provided in the By-laws of the Association for special meetings, to advise the membership of the termination of Class "B" status.

ARTICLE III MAINTENANCE

Section 1. Association's Responsibility for Maintenance Areas. The Association, in the sole discretion of its Board, may maintain and keep in good repair the Maintenance Areas in the Property, including the rights-of-way, medians, entry strips, signs and lighting systems whether owned by the Association, by an Owner, or by the public, so long as the rights-of-way or entry strips are within or adjacent to the Property. The Association shall maintain, repair, and replace the Common Areas, if any, in the Property. The cost of the maintenance provided for in this Section 1 shall be a common expense of the Association.

Section 2. Association's Responsibility for Maintenance of Improved Lots. On Improved Lots the Association shall be responsible for mowing lawns, pruning trees and shrubs and maintaining plants in existing and defined beds. The Association shall further be responsible for painting, repair and replacement of exterior trim and siding, fencing and roofs of the houses on Improved Lots. The cost of the maintenance provided for in this Section 2 shall be a common expense of the Association to water the lawn and garden areas or the expense is for damages to the exterior of a house caused by the neglect or misconduct of an Owner, occupant, to the extent that occupant, the cost of maintenance and/or repair shall be paid by the Owner for ordinary weathering finds that a

to the Association.

AMENDMENT

TO THE DECLARATION OF THE VILLAS OF KATY CROSSING

Declaration: Declaration of Covenants, Conditions and Restrictions recorded as Document 199742638, Official Records, Williamson County, Texas

Association: The Villas of Katy Crossing Owners Association, Inc.

Pursuant to Declaration Article XI, section 2(b), the following amendments to the Declaration (Amendments) were approved in writing by owners of 70 Units or more of the Lots subject to the Declaration, a margin of approval that exceeds the 67% required by Texas Property Code section 209.0041(h).

The Amendments shall be effective immediately upon recording in the Official Public Records of Williamson County, Texas

AMENDMENTS

1. Amend Article III, Section 2, second sentence to read:

"The Association shall further be responsible for painting, repair, and replacement of exterior trim and siding and fencing of the houses on Improved Lots."

3. Amend Article III, Section 3(c), Owner's Responsibility, to read:

"(c) Keeping the roof, parking areas, and driveways in good repair and condition at all times, including replacing the roof as needed"

ATTESTATION

The undersigned President and Secretary of the Association attest that the foregoing Amendments were adopted by owners of at least 67% of the votes entitled to be cast, as reflected in Exhibit A attached hereto, which is an accurate summary of the voting by Owners on the proposed amendments.

Signed this 24 day of January, 2019.

THE VILLAS OF KATY CROSSING
OWNERS ASSOCIATION, INC.

By: [Signature]

Printed name: Pat Michael
President

Section 3. Owner's Responsibility. Owners and occupants (including lessees) of each Improved Lot shall jointly and severally have the duty and responsibility, at their sole cost and expense, to keep that Lot safe and clean at all times. Such maintenance includes, but is not limited to, the following:

(a) Prompt and regular removal of all litter, trash, refuse, debris and wastes, including any such items resulting from storm, flood or other casualty.

(b) Regular watering of all lawn, trees, shrubs and plants as necessary to keep them alive and healthy.

(c) Keeping parking areas and driveways in good repair.

(d) Complying with all applicable governmental laws, ordinances, rules and regulations.

(e) The Owner or occupant of an Improved Lot shall provide reasonable access to the Association or its agents to perform Association responsibilities for maintenance on the Improved Lot.

(f) The Owner or occupant of an Improved Lot, at their own expense, may plant flowers, shrubs and other ornamental plants in existing defined landscaping beds. The Association shall not be responsible for the cost of replacing any such plants which may die.

Section 3. Enforcement. If, in the opinion of the Board of Directors, any Owner or occupant has failed in any of the foregoing duties or responsibilities, then the Board may give such Owner or occupant written notice of such failure and such Owner or occupant must within ten (10) days after receiving such notice perform the care and maintenance required. Should any Owner or occupant fail to fulfill this duty and responsibility within such period, then the Board, through its authorized agent or agents, shall have the right and power to enter into the premises and perform such care and maintenance without liability for damages for wrongful entry, trespass or otherwise to any person. The Association may levy a special assessment pursuant to Article VI of this Declaration for the cost of such work which shall be the joint and personal obligation of the Owners and occupants (including lessees) of the Improved Lot in which such work is performed and shall be enforced as provided in Article VI of this Declaration.

ARTICLE IV POWERS AND AUTHORITY OF THE ASSOCIATION

Section 1. Powers and Authority of the Association. The Association shall have the powers of a Texas nonprofit corporation, subject only to such limitations upon the exercise of such power as are expressly set forth in this Declaration. The Board, acting on behalf of the Association, shall have the power and authority at all times as follows:

- (a) Rules and Regulations. The Association, through its Board may make and enforce reasonable rules and regulations governing the use of the Property, which rules and regulations shall be consistent with the rights and duties established by this Declaration. Sanctions may include reasonable monetary fines and suspension of the right to vote. The Board shall, in addition, have the power to seek relief in any court for violations or to abate nuisances.
- (b) Insurance. To obtain and maintain in effect policies of insurance which, in the opinion of the Board are reasonably necessary or appropriate to carry out the Association functions.
- (c) Records. To keep books and records of the Association's affairs.
- (d) Assessments. To levy assessments as provided in Article VI.
- (e) Right of Entry and Enforcement. To enter at any time in an emergency (or in the case of a non-emergency, after twenty-four (24) hours written notice), without being liable to any Owner, upon any Lot and into any Improvement thereon for the purpose of enforcing the Restrictions or for the purpose of maintaining or repairing any area, Improvement or other facility to conform to the Restrictions. The Association shall have the power and authority from time to time, in its own name and on its own behalf, or in the name of and on behalf of any Owner who consents thereto, to commence and maintain actions and suites to enforce, by mandatory injunction or otherwise, or to restrain and enjoin, any breach or threatened breach of this Declaration. The Association is also authorized to settle claims, enforce liens and take all such action as it may deem necessary or expedient to enforce the Restrictions.
- (f) Legal and Accounting Services. To retain and pay for legal and accounting services necessary or proper in the operation of the Association.
- (g) Collection for Subassociation. To collect on behalf of and for the accounting of any Subassociation (but not to levy) any assessment made by Subassociation created pursuant to this Declaration.
- (h) Manager. To retain and pay for the services of a person or firm (the "Manager") to manage and operate the Association, including its property, to the extent deemed advisable by the Board. Additional personnel may be employed directly by the Association or may be furnished by the Manager. To the extent permitted by law, the Association and the board may delegate any other duties, powers and functions to the Manager. The members of the Association hereby release the Association and the members of the Board from liability for any omission or improper exercise by the Manager of any such duty, power or function so delegated.

- (i) Other Services and Properties. To obtain and pay for any other property and services, and to pay any other taxes or assessments which the Association or the Board is required to secure or to pay for pursuant to applicable law, the terms of this Declaration, the Articles or Bylaws of the Association.
- (j) Contracts. To enter into contracts with Declarant and other persons on such terms and provisions as the Board shall determine, to provide any service or perform any function on behalf of Declarant, the Association or any Person.

Section 2. Personal Property and Real Property for Common Use. The Association, through action of its Board of Directors, may acquire, hold, and dispose of tangible and intangible personal property and real property. The Board, acting on behalf of the Association, will accept any real or personal property, leasehold, or other property interests within the Property conveyed to it by the Declarant.

Section 3. Project Documents. The Association shall make available for inspection free of charge during business hours and under normal circumstances current copies of Declaration, Bylaws, Rules and Regulations, books, records and financial statements of the Association to Owners and Mortgagees. Any holder, insurer or guarantor of a first Mortgage shall be entitled, without charge, upon written request, to a compilation statement prepared by an independent accountant or accounting firm for the immediately preceding fiscal year within a reasonable time following such request.

ARTICLE V INSURANCE

Section 1. Association Insurance Requirements. The Association shall obtain and retain directors and officers liability insurance of not less than \$1,000,000.00 per occurrence. In addition the Association shall require Certificates of Insurance from all contractors who perform maintenance and repair services in the Association on Maintenance Areas and Improved Lots.

Section 2. Selection of Insurance Company for Improved Lots. In order to insure the protection of all Owners from damage or destruction of improvements on Improved Lots, the Association shall annually designate one insurance company to sell replacement cost casualty insurance to each Owner. The Board shall review and select companies and policies annually to maintain the best coverage for the lowest price. The Board shall receive at least three competitive bids annually, prior to selecting a company to write policies for each Owner. The Board shall select the best company (the "Association Selected Insurance Company"), which shall not necessarily be the lowest bidder.

Section 3. Owner Insurance Requirements. The Owner(s) of each Improved Lot shall obtain and retain casualty insurance for the house and improvements located thereon from the Association Selected Insurance Company, sufficient to cover the replacement cost for the real property improvements which may be destroyed or damaged by fire or other casualty. The Association shall be named as co-insured on Owner's policies, and the proceeds from any claim for damage to the real property shall first be applied to the repair or replacement of the house and any external improvements on the Improved Lot. If Owner fails to keep insurance policy payments current, the Association may pay such premium(s) for Owner and assess the Owner pursuant to the assessment provisions of Article VI of this Declaration.

ARTICLE VI ASSESSMENTS

Section 1. Maintenance Fund. The Board of Directors shall establish a fund (the "Maintenance Fund") into which shall be deposited all monies paid to the Association and from which disbursement shall be made in performing the functions of the Association under the Declaration, the By-laws, or the Articles of Incorporation.

Section 2. Regular Monthly Assessments. There are hereby created assessments for Common Expenses as may be from time to time specifically authorized by the Board of Directors. Regular annual assessments shall be for expenses determined by the Board of Directors to be for the benefit of the Association as a whole. Each Owner, by acceptance of a deed or recorded contract of sale, is deemed to covenant and agree to pay these assessments. All such assessments, together with interest at the rate of twelve percent (12%), costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which each assessment is made.

Each such assessment, together with interest, costs, and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time the assessment arose, and the Owner's grantee shall be jointly and severally liable for such portion thereof as may be due and payable at the time of conveyance to the extent expressly assumed, except no first Mortgagee that obtains title to a Lot pursuant to the remedies provided in the Mortgage shall be liable for unpaid assessments which accrued prior to such acquisition of title.

Assessments shall be paid in such manner and on such dates as may be fixed by the Board of Directors. Unless the Board of Directors otherwise provides, the assessments shall be paid in monthly installments.

Section 3. Computation of Assessment. It shall be the duty of the Board of Directors, at least sixty (60) days before the beginning of the fiscal year and thirty (30) days prior to the meeting at which the budget shall be presented to the membership, to prepare a budget covering the estimated costs of operating the Association during the coming year. The Board shall cause a copy of the budget, and the amount of the assessments to be levied against each Improved Lot for the following year to be delivered to each Owner at least fifteen (15) days prior to the meeting. The budget and the



RESOLUTION NO. 2004-_____ OF THE BOARD OF
DIRECTORS OF THE VILLAS AT KATY CROSSING
HOMEOWNER'S ASSOCIATION, INC.

On the 12th day of MARCH, 2004, came on before the Board of Directors for consideration the issue of interpretation of Article V, Section 3 of the Declaration of Covenants, Conditions and Restrictions, "Owner Insurance Requirements." That provision requires Owners of Improved Lots to obtain and maintain casualty insurance sufficient to cover the replacement cost of the house and improvements upon such lots, and that such insurance is to be obtained from an insurance company selected by the Association. The Board has determined that it is in the best interest of the Association and its members that rather than approving insurance companies on a case-by-case basis, that the Association shall deem acceptable any insurance carrier with an A. M. Best Financial Strength Rating of B++ (Very Good) or better.

By a majority vote of the Board of Directors, it is hereby so resolved.

By: [Signature]

President

Villas of Katy Crossing Owners Association

Date of Resolution: JANUARY, 2004

Date Signed: MARCH 12, 2004

****NOTE:** This is a "Resolution" not
an "Amendment" - Naming
the HOA as "Additional
Insured" DOES NOT CHANGE.

MARKED "Unofficial Document"
Because it came off the Internet and
Didn't pay for an "Official Copy"



assessment shall become effective unless disapproved at the meeting by a vote of at least a majority of both classes of the total Association membership. Notwithstanding the foregoing, however, in the event the membership disapproves the proposed budget or the Board of Directors fail for any reason to determine the budget for the succeeding year, then and until such time as a budget shall have been determined as provided herein, the budget in effect for the then current year shall continue for the succeeding year. The initial monthly assessment shall be Eighty Dollars (\$80.00) per Improved Lot.

Section 4. Special Assessments. In addition to the assessment authorized in Section 2, the Association, through its Board, may levy uniform special assessments against Owners of Improved Lots as may be required for the Association to pay for unanticipated expenses or for shortages of funds in the capital account or from Annual Assessments to pay expenses approved in the Association's annual budget. The Association may also levy a special assessment against any Member to reimburse the Association for costs incurred in bringing a Member and his Lot into compliance with the provision of the Declaration, the amendments thereto, the By-laws, the Articles of Incorporation, and the Association Rules and Regulations, which special assessment may be levied upon the vote of the Board after notice and an opportunity for a hearing.

Section 5. Assessment Property. Only Improved Lots shall be subject to the assessments provided for in this Declaration.

Section 6. Division of Annual and Uniform Assessments Among Owners. Assessments made by the Association under Section 2 and uniform special assessments described in Section 4 shall be divided among all the Owners of assessment property located within the Property pro rata. The pro rata percentage of any assessment for each Improved Lot shall be calculated by dividing the number one by the total number of Improved Lots in the Association at the time the assessment is levied.

Section 8. Late Charges. If any assessment made pursuant to this Article is not paid within thirty (30) days after it is due, the Owner may be required by the Board to pay a late charge at such rate as the Board may designate from time to time; provided, however, such charge shall never exceed the maximum charge permitted under applicable law.

Section 9. Lien for Assessments. All assessments, whether made pursuant to this Article or any other Article in this Declaration, if not paid within thirty (30) days after the date due, shall be deemed delinquent and in default. The amount of any delinquent assessment, and any late charge attributable thereto, plus interest on such assessment at the rate of twelve percent (12%) per annum (not to exceed the maximum charge permitted under applicable law) and the costs of collecting the same, including attorney's fees, shall be the personal obligation of the Owner of the property against which the assessment fell due and shall be a lien upon such property.

Each Owner, by the Owner's claim or assertion of ownership or by accepting a deed to a Lot, whether or not it shall be so expressed in the deed, is hereby conclusively deemed to covenant and agree to pay to the Association, its successors or assigns, each and all of the charges assessed against

his Lot and/or assessed against him by virtue of his ownership interest as the same shall become due and payable, without demand therefor. The transfer of title to the Lot shall not terminate the lien, but the personal obligation of the Owner shall not pass to successors in title unless they assume the obligation. The Association may either (a) bring an action at law against the Owner personally obligated to pay the same, (b) foreclose said lien against the Lot or (c) both. No Owner may waive or otherwise escape liability for any assessment by the abandonment of the Owner's Lot.

A certificate executed and acknowledged by the Board stating the indebtedness secured by such lien shall be conclusive evidence as to the amount of such indebtedness as of the date of the certificate, in favor of all persons who rely thereon in good faith, and such certificates shall be furnished to any Owner upon request at a reasonable fee.

Each Owner, by the Owner's assertion of title or claim of ownership or by his acceptance of a deed to a Lot, whether or not it shall be so recited in such deed, shall conclusively grant to, and does hereby grant to the Association and its agents, the right, power and authority to take all action which the Association shall deem proper for the collection of the assessments and charges and to enforce the aforesaid lien by all methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association in a like manner as a mortgage or deed of trust lien foreclosure on real property, and such Owner expressly grants to the Association a power of sale and non-judicial foreclosure in connection with said lien. The lien created hereunder shall be considered a contract lien and shall be governed by the terms and provisions of Section 51.002 of the Vernon's Texas Property Code Annotated (formerly Article 3810 of the Texas Revised Civil Statutes). The Association, acting on behalf of the Owners, shall have the power to bid for the Lot at foreclosure sale and to acquire and hold, lease, mortgage and convey the same.

After notice and hearing, the Board may temporarily suspend the voting rights of a Member who is in default of payment of any assessment.

Section 10. Mortgage Protection. Notwithstanding any other provision of this Declaration, no lien created under this Article or under any other Article of this Declaration, nor any lien arising by reason of any breach of the rules and regulations, nor Subsequent Amendment shall defeat or render invalid the rights of the Beneficiary under any recorded Mortgage of first and senior priority now or hereafter given upon any portion of the Property made in good faith and for value. However, after a conveyance in lieu of foreclosure, such property shall remain subject to this Declaration and shall thereafter be liable for all assessments levied after such completion of foreclosure or conveyance in lieu of foreclosure. No amendment of this Section 11 shall affect the rights of any Mortgagee who Mortgage has the first and senior priority as provided herein, unless the Mortgagee consents in writing to the amendment thereof, or unless the amendment was filed of record prior to the recording of the Mortgage, provided, however, that after foreclosure, or conveyance in lieu of foreclosure, the portion of the Property which was subject to such Mortgage shall be subject to such amendment.

Section 11. Subordination. The lien for assessments provided for herein shall be subordinated to the lien of any first Mortgage if the Mortgage was recorded before the delinquent

assessment became due. However, the sale or transfer of any portion of the Property subject to assessment pursuant to mortgage foreclosure, or any proceeding in lieu thereof, shall extinguish the lien as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such property subject to assessment from liability for any assessment thereafter becoming due or from the lien therefor.

Section 12. Capitalization of Association. Upon acquisition of record title to a Lot from Declarant, each Owner shall contribute \$175.00 to the maintenance fund of the Association. This amount shall be deposited by the purchaser of the Lot into the purchase and sales escrow and disbursed therefrom to the Association.

ARTICLE VII MULTI-FAMILY TRACT

Section 1. Not a Lot. The Owner of the Multi-Family Tract shall not be a member of the Association and Lot 10, Block C of the Property shall not be included as a Lot subject to assessments in Article VI. The Multi-Family Tract shall however, be subject to the covenants, conditions and restrictions of Article VIII and Article IX of this Declaration

Section 2. Future Development Rights. The Multi-Family Tract has been reserved by Declarant for future development. The City of Georgetown has zoned and approved the Multi-Family Tract for development of up to 101 residential units. Declarant reserves the right to sell or develop the Multi-Family Tract with up to the approved 101 single family detached, single family attached, duplex or multi-family units. In the event the Multi-Family Tract is resubdivided and developed with single family attached or unattached houses, or duplexes, Declarant, acting alone by subsequent amendment, may designate the lots created by the resubdivision of Lot 10, Block C as Improved Lots subject to Assessments and the owners thereof as Members of the Association.

ARTICLE VIII ARCHITECTURAL CONTROL COMMITTEE

Section 1. Designation of Committee. An Architectural Control Committee (the "Committee"), shall consist of not less than three (3) members who shall be natural persons. The initial Committee shall consist of John Gavurnik, Carolyn Gavurnik and Robert Schoen. Persons serving on the Committee shall serve until removed by the Board of Directors or until a resignation is effective. Any member may resign at any time for any reason and such resignation shall be effective upon notice thereof to the Board. Subsequent members of the Committee shall be appointed by the Board of Directors. Until the occurrence of one of the events described in Article II, Section 3(b), whichever is earlier, the appointment of the members of the Committee must be approved by Declarant, and during such period any and all members of the Committee can be removed by Declarant with or without cause. The Board shall have the exclusive right and power at any time and from time to time to fill vacancies on the Committee. The Committee shall act by majority vote of its members.

Section 2. Function of Architectural Control Committee. No improvement, as that term is hereinafter defined, except those constructed by the Declarant or developer, shall be erected, constructed, placed, altered (by addition or deletion), maintained or permitted to remain on any portion of the Property until plans and specifications, and any other information pertaining thereto, in such form and detail as the Committee may deem necessary, shall have been submitted to and approved in writing by the Committee. The decision of the Committee shall be final, conclusive, and binding upon the applicant.

Section 3. Content of Plans and Specifications. The plans and specifications to be so submitted and approved shall include the following:

(a) A site plan showing the location of all improvements, structures, walks, driveways, fences, and Lot corners and the corners of proposed improvements, and a grading plan and a drainage plan. Lot drainage provisions shall be indicated as well as cut and fill details if any appreciable change in the Lot contours is contemplated.

(b) Exterior elevations showing all sides of the proposed improvements.

(c) Exterior materials, colors, textures and shapes.

(d) Structural design and construction plans.

(e) Landscaping plan, including walkways, fences and walls, elevation changes, sprinkler systems, vegetation and ground cover.

(f) Parking area and driveway plan.

(g) Any exterior illumination, including location and method.

(h) Any fire protection system required by applicable government law, ordinance or regulation.

(i) Signs, including size, shape, color, location and materials.

(j) Mailboxes, if any.

Section 4. Definition of "Improvement". The term "improvement" shall mean and include all buildings and roofed structures, fences, walls, mass plantings, driveways, signs; any new exterior construction or exterior improvement; all outbuildings; and both original improvements and all later changes and improvements. The term "improvement" shall not include garden shrub or tree replacements or any other replacement or repair of any magnitude which does not change exterior colors or exterior appearances. Further, the term "improvement" shall not include repairs and/or replacements of improvements damaged by fire or other casualty, subject to the following:

(a) The damaged improvements to be repaired or replaced were approved by the Committee as provided in Section 2.

(b) The repairs or replacements will effect a restoration of the damaged improvements to substantially the same condition as existed prior to such damage with no material change from the original plans and specifications approved by the Committee as provided in Section 2.

(c) Plans and specifications for the repairs or replacements, similar in form and detail to the original plans and specifications for the items to be repaired or replaced, together with a certificate signed by a duly licensed architect stating that the repairs or replacements will effect a restoration of the damaged improvements to substantially the same condition as existed prior to such damage with no material change from such original plans and specifications, shall have been submitted to the Committee at least fifteen (15) days prior to the date construction of such repairs or replacements is commenced.

Section 5. Variances. In case of special size or shape of site or condition of terrain or special use, operation or treatment not provided for within the general conditions of the protective covenants herein contained or for any other reason the Committee may, in its discretion, permit such variances or exceptions to the restrictions herein contained as it deems necessary or desirable.

Section 6. Failure of the Committee to Act. The Committee shall approve such plans and specifications or reject them as being inadequate within thirty (30) days after receipt thereof. If plans and specifications are not sufficiently complete or are otherwise inadequate, the Committee may reject them as being inadequate or may approve part, conditionally or unconditionally and reject the balance. If the Committee shall fail to respond to any Owner within thirty (30) days after its receipt of any original or revised plans and specifications submitted hereunder, such plans and specifications shall be deemed to have been approved by the Committee.

Section 7. Limitation of Liability. Neither Declarant, the Committee, nor any of the Members of the Committee shall be liable in damages or otherwise to anyone submitting plans and specifications for approval or to any owner of land affected by this Declaration by reason of mistake of judgment, negligence, or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or to disapprove any plans and specifications.

Section 8. Inspection of Work.

(a) Completed Work. Inspection of completed work and correction of defects therein shall proceed as follows:

(1) Upon the completion of any improvement for which the final plans and specifications were approved under this Declaration, the Owner shall give written notice of completion to the Committee.

(2) Within such reasonable time as the Committee may set in its rules but not to exceed fifteen (15) days thereafter, the Committee or its duly authorized representative may inspect such improvement. If the Committee finds that such work was not done in strict compliance with all approved plans and specifications, it shall notify the Owner in writing of such noncompliance within five (5) days, specifying in reasonable detail the particulars of noncompliance, and shall require the Owner to remedy the same.

(3) If upon the expiration of thirty (30) days from the date of such notification the Owner shall have failed to remedy such noncompliance, the Committee shall notify the Board of Directors in writing of such failure. Upon notice to the Owner, the Board shall conduct a hearing at which it shall determine whether there is noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If noncompliance exists, the Owner shall remedy or remove the same within a period of not more than forty-five (45) days within a period of announcement of the Board ruling. If the Owner does not comply with the Board's within such period, the Board, at its option, may either remove the noncomplying improvement or remedy the noncompliance, and the Owner shall reimburse the Association upon demand for all expenses incurred in connection therewith. If such expenses are not promptly repaid by the Owner to the Association, the Board shall levy an assessment against such Owner and improvement in question and the Lot upon which the same is situated for reimbursement and the same shall constitute a personal obligation of the Owner of such Lot, a lien upon such Lot and improvement, and be enforced as provided in this Declaration.

(4) If for any reason after receipt of said written notice of completion from the Owner, no inspection is made or any noncompliance is not found within the period provided above in Subparagraph (2) of this Section 8(a), the improvement shall be deemed to be in accordance with said approved plans and specifications. In the instances where an inspection has occurred and the improvements are in compliance, upon request, the Committee shall issue a "Certificate of Compliance" in a form suitable for recording. The certificate shall identify the Lot and the improvement, and shall certify only that the improvements thereon are not in violation of the covenant of the Declaration, or if they are in violation, that a variance has been granted. **THE CERTIFICATE SHALL NOT BE CONSTRUED TO CERTIFY THE ACCEPTABILITY, SUFFICIENCY OR APPROVAL BY THE ARCHITECTURAL**

CONTROL COMMITTEE OF THE ACTUAL CONSTRUCTION OF THE IMPROVEMENTS OR OF THE WORKMANSHIP OR MATERIALS THEREOF. THE OWNER IS HEREBY NOTIFIED THAT THE CERTIFICATE IN NO WAY WARRANTS THE SUFFICIENCY, ACCEPTABILITY OR APPROVAL BY THE ARCHITECTURAL CONTROL COMMITTEE OF THE CONSTRUCTION, WORKMANSHIP, MATERIALS OR EQUIPMENT OF THE IMPROVEMENTS. RECORDATION OF SUCH A CERTIFICATE SHALL BE AT THE EXPENSE OF THE OWNER OF THE IMPROVED LOT.

(b) Work in Progress. The Committee may inspect all work in progress and give notice of noncompliance as provided above in Subparagraph (2) of this Section. If the Owner denies that such noncompliance exists, the procedures set out in Subparagraph (3) of this Section shall be followed, except that no work shall be done, pending resolution of the dispute, which would hamper correction of the noncompliance if the Board should ultimately find that noncompliance exists.

Section 9. Enforcement. Declarant or the Board of Directors, on behalf of the Association, shall have the authority and standing, on behalf of the Association, to enforce in courts of competent jurisdiction the decisions of the Committee established in this Article. This Article may not be amended without Declarant's written consent, so long as Declarant owns any land subject to this Declaration.

ARTICLE IX USE RESTRICTIONS AND PROTECTIVE COVENANTS

Section 1. General Restrictions.

(a) Noxious Uses. The land and improvements located on each Lot shall not be used so as to disturb the neighborhood or occupants of adjoining property, or to constitute a nuisance to violate any public law, ordinance or regulation from time to time applicable thereto. Nor shall such land and improvements be used for any purposes which will create or emit any objectionable, offensive or noxious odors, dust, gas, fumes or other such material.

(b) Animals. No animals or birds, other than a maximum of three (3) generally recognized house pets, shall be maintained on any Lot and then only if they are kept, bred or raised thereon solely as domestic pets and not for commercial purposes. No animal or bird shall be allowed to make an unreasonable amount of noise, or to become a nuisance. No structure for the care, housing or confinement of any animal

or bird shall be maintained so as to be visible from neighboring property, without approval by the Architectural Control Committee. Upon the written request of any Owner, the Board of Directors of the Association shall conclusively determine, in its sole and absolute discretion, whether, for the purposes of this paragraph, a particular animal or bird is a generally recognized house pet, or a nuisance.

(c) Antennas and Signals. No antenna or other device for the transmission or reception of television signals, radio signals, or any other form of electromagnetic radiation shall be erected, used or maintained on any Lot, whether attached to a building or structure or otherwise, without approval of the Architectural Control Committee, except that Declarant or the Association may erect a common television antenna. No radio signals, television signals or any other form of electromagnetic radiation shall originate from any Lot which may unreasonably interfere with the reception of television or radio signals on any other Lot.

(d) Temporary Occupancy. No trailer, basement or any incomplete building, tent, shack, garage or barn and no temporary building or structure of any kind shall be used at any time for a residence, either temporary or permanent. Temporary buildings or structures used during the construction, repair or remodeling of a dwelling on any Lot shall be moved immediately after the completion of construction.

(e) Trailers, Boats and Motor Vehicles. Without prior approval of the Architectural Control Committee, no mobile home, trailer of any kind, truck, camper, motorized recreational vehicle, permanent tent or similar structure, boat or inoperable motor vehicle of any type shall be kept, placed, maintained, constructed, reconstructed or repaired upon any property or street or private driveway in such a manner as will be visible from neighboring property, private drive, or a public street; provided, however, that the provisions of this paragraph shall not apply to emergency vehicle repairs or temporary construction shelters or facilities maintained during, and used exclusively in connection with, the construction of any improvements approved by the Architectural Control Committee. In addition, no motor vehicle of any type, whether operable or inoperable, may be constructed, reconstructed or repaired upon any property or street or private driveway in such a manner as will be visible from neighboring property for three (3) consecutive days.

(f) Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot, and no odors shall be permitted to arise therefrom, so as to render any such property or portion thereof unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, bells or other sound devices, except security devices used exclusively for security purposes, shall be located, used or placed on any such property.

(g) Repair of Buildings. No building or structure upon any property within any Lot shall be permitted to fall into disrepair, and each such building and structure shall at all times be kept in good condition and repair and adequately painted or otherwise finished.

(h) Trash Containers and Collection. No garbage or trash shall be placed or kept on any Lot except in covered containers of a type, size and style which are approved by the Association, which may include the requirement that all containers will be disposable. In no event shall such containers be maintained so as to be visible from neighboring property except, to make the same available for collection and, then, only the shortest time reasonably necessary to effect such collection.

(i) Clothes Drying Facilities. Outside clotheslines or other facilities for drying or airing clothes shall not be erected, placed or maintained on any Lot unless they are erected, placed and maintained exclusively within a fenced yard or otherwise concealed and not visible from neighboring property.

(j) Sidewalk Encroachments. No tree, shrub or planting of any kind on any Lot shall be allowed to overhang or otherwise encroach upon any sidewalk or other pedestrian way from ground level to a height of seven feet (7') without the prior approval of the Architectural Control Committee.

(k) Right-of-Way. During reasonable hours Declarant, any member of the Architectural Control Committee, or member of the Board of Directors or any other representative of any of them, shall have the right to enter upon and inspect any Lot for the purpose of ascertaining whether or not the provisions of these restrictions have been or are being complied with, and such persons shall not be deemed guilty of trespass by reason of such entry.

(l) Mineral Exploration. No Lot shall be used in any manner to explore for or to remove any water, oil or other hydrocarbons, minerals of any kind, gravel, earth or any earth substance of any kind.

(m) Machinery and Equipment. Without approval by the Board, no machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot except such machinery or equipment as is usual and customary in Williamson County, Texas, in connection with the use, maintenance or construction of residential improvements; provided, however, such machinery or equipment may be so placed, operated or maintained by any governmental, or quasi-governmental agency or a public utility. Nothing herein shall prevent the use of appliances, tools or machines for usual and customary household purposes.

(n) Diseases and Insects. No Owner shall permit anything or condition to exist upon any Lot which will induce, breed or harbor plant diseases or noxious insects.

(o) Restriction on Further Subdivision. Except as expressly provided for herein for the benefit of Declarant, no Lot shall be further subdivided and no portion less than all of any such Lot nor any easement or other interest therein, shall be conveyed by any Owner, except, however, that easements may be granted to any governmental or quasi-governmental agency or a public utility.

(p) Sign. No signs whatsoever (movable or affixed), including, but not limited to, commercial, political and similar signs, which are visible from neighboring property shall be erected or maintained on any Lot except:

(1) Such signs as may be required by law.

(2) A residential identification sign of a combined total face area of seventy-two square inches or less.

(3) During the time of construction of any building or other improvement, one job identification sign not larger than eighteen by twenty-four inches in height and width and having a face area not larger than three square feet.

(4) A "for sale" or "for rent" sign, of a reasonable type, size and appearance, which is similar to other signs customarily used in Williamson County, Texas, to advertise individual parcels of residential real property.

The content and location of all signs shall be subject to such rules as the Association may promulgate. The provisions of this paragraph shall not prevent Declarant or developer from commencing, erecting or maintaining structures or signs of any content or size on Lots owned by it when Declarant, in its sole discretion, deems it necessary or convenient to the development, sale, operation or other disposition of the Lots.

(q) Tanks. No elevated tanks shall be erected.

(r) Increased Insurance Costs. Nothing shall be done on any Lot which will result in the increase of fire and extended coverage insurance premiums thereon or the cancellation of such insurance.

(s) Waste. No waste shall be committed on any Lot.

(t) Lighting. No lighting or illumination shall be placed upon any Lot in such a manner as to cause unreasonable glare or illumination on any other Lot.

(u) Rights of Declarant. Nothing herein shall be construed as prohibiting Declarant, its officers, employees or agents, from inviting any person or the general public to enter any residence situated upon any Lot owned by Declarant for the purpose of making a sale or lease thereof or from using such residence as a model or the purpose of making a sale or sales or from maintaining a sales force upon any Lot owned by Declarant which remains unsold.

(v) Fencing. All fences shall be privacy fences at least six feet (6') high. Fences shall be constructed of new wood and/or masonry material. Variances to this provision may be approved by the Architectural Control Committee.

(w) The City of Georgetown building line setbacks have been varied to permit side (street) setbacks of fifteen feet (15') provided the house and driveway are oriented to the front yard for back to back corner lots.

(x) Street Design Standards. The local residential street right-of-way requirement has been amended to permit a fifty foot (50') right-of-way.

(y) Buffering Requirements. A six foot (6') cedar privacy fence with masonry columns every forty feet (40') shall be constructed as a buffer between single family attached houses and single family unattached houses and duplexes, if any of the Property is developed with single family unattached houses.

Section 2. Use Restrictions.

(a) All Lots shall be used solely for single family residential purposes.

(b) Lot 10, Block C (the Multi-Family Tract) may be used for multi-family residential purposes, which may include recreational facilities, a club house, a rental office and other amenities normally provided in apartment developments.

(c) No Lot or improvements thereon shall be leased or rented for less than thirty (30) days. Any lease or rental agreement must be in writing and shall be subject to this Declaration, the by-laws and the rules and regulations. Except for the foregoing, nothing in this Declaration shall prevent the rental of any Lot and improvements thereon by the Owner thereof for residential purposes.

Section 3. Building Restrictions. The following building restrictions shall apply:

(a) All buildings on Lots shall be designed and constructed in accordance with the designs attached hereto as EXHIBIT A. Exhibit A may be amended by adding designs or by amending the current designs, provided the amendments are first approved in writing by both the Architectural Control Committee and the Director of Development Services for the City of Georgetown, Texas.

(b) Garages. All duplex residential dwellings constructed on the duplex lots shall have a garage which conforms in design and materials with the residence.
All duplex dwellings shall have a garage suitable for parking at least one (1) standard size automobile.

ARTICLE X MORTGAGEE PROTECTION CLAUSES

Section 1. Rights of Mortgagees. No breach of any of the covenants, conditions and restrictions contained in this Declaration, nor the enforcement of any lien provisions herein, shall render invalid the lien of any Mortgage on, any Lot made in good faith and for value, but all of the covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale, or otherwise, unless otherwise provided herein.

Section 2. Notice to Mortgagees, Insurers and Guarantors. All Mortgagees including FNMA and FHLMC that have filed with the Association an appropriate written request which includes its name and address as well as the Lot encumbered by its Mortgage (the "Eligible Mortgagees") as well as all insurers of a Lot and governmental guarantors of a Mortgage that have filed with the Association such an appropriate written request ("Eligible Insurers" and "Eligible Guarantors" respectively), shall be entitled to receive the following notices in writing from the Association:

(a) Any condemnation loss or any casualty loss which affects a material portion of the Property or any Lot on which there is a Mortgage held, insured or guaranteed by such Eligible Mortgagee, Eligible Insurer or Eligible Guarantor, as applicable;

(b) Any delinquency in the payment of assessments or charges owed by an Owner of a Lot subject to a Mortgage held, insured or guaranteed by such Eligible Mortgagee, Eligible Insurer or Eligible Guarantor, which remains uncured for a period of sixty (60) days;

(c) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;

(d) Any proposed action which would require the consent of a specified percentage of Eligible Mortgagees as specified herein.

Section 3. Additional Rights and Eligible Mortgagees. To the extent permitted by applicable law, Eligible Mortgagees shall also be afforded the following rights:

(a) Any restoration or repair of the Property, after a partial condemnation or damage due to an insurable hazard, shall be performed substantially in accordance with this Declaration and the original plans and specifications, unless other action is approved by Eligible Mortgagees of Lots to which at least fifty-one percent (51%) of the votes in the Association have been allocated;

(b) Any election to terminate the legal status of the Property after substantial destruction or a substantial taking in condemnation of the Project property must require the approval of Eligible Mortgagees of Lots to which at least fifty-one percent (51%) of the votes in the Association have been allocated;

(c) No reallocation resulting from a partial condemnation or partial destruction of the Property may be effected without the prior approval of Eligible Mortgagees of the remaining Lots whether existing in whole or in part, to which have been allocated at least fifty-one percent (51%) of the votes in the Association of all remaining Lots subject to Mortgages held by Eligible Mortgagees;

(d) No amendment of the Declaration, By-laws or Articles which authorizes the alteration or destruction of one or more Lots or Common Areas may be effected without the consent of the Mortgagees of the Owners of such Lots or Common Areas;

Section 4. Mortgage Priority. Notwithstanding any language contained in this Declaration to the contrary, no Owner or other party shall have priority over any rights of the Mortgagee of any Lot pursuant to its Mortgage in the case of a distribution to the Owner of such Lot of insurance proceeds or condemnation awards for losses to or taking of all or a portion of such Lot and/or Common Areas. Institutional Lenders shall have the right to examine the books and records of the Association at all reasonable times during regular business hours of the Association.

Section 5. Compliance With FHLMC and FNMA Regulations. The Declarant intends that the Property shall comply with all requirements of the FHLMC and the FNMA pertaining to the purchase by FHLMC and FNMA of conventional home loans. Declarant and all Owners therefore agree that, notwithstanding anything to the contrary contained herein, in the event the Property or the Declaration or By-laws do not comply with the FHLMC and FNMA requirements, if permitted under applicable law, the Board shall have the power (on behalf of the Association and each and every Owner) to amend the terms of this Declaration and the By-Laws and to enter into any agreement with FHLMC and FNMA (or their designees) or the Mortgagees of the Lots reasonably required by FHLMC and FNMA or the Mortgagees to allow the Property to comply with such requirements.

Section 6. Taxes Assessments and Charges Which May Become Liens. All taxes, assessments and charges which may become liens prior to any first lien Mortgage under local law shall relate only to the individual Lots and not to the Property as a whole.

Section 7. Amendment to Declaration. This Declaration shall not be amended unless the Eligible Mortgagees holding mortgages on Lots to which at least seventy-five percent (75%) of the votes in the Association have given consent to the amendment.

ARTICLE XI GENERAL PROVISIONS

Section 1. Duration. This Declaration and the covenants, restrictions, charges, and liens set out herein shall run with and bind the Property, and shall inure to the benefit of and be enforceable by Declarant and every Owner of any part of the Property, and their respective legal representatives, heirs, successors and assigns, for a term of twenty (20) years beginning on the date this Declaration is recorded, after which time said covenants shall be automatically extended for successive periods of ten (10) years unless terminated by a majority vote of the total votes of each class of the membership of the Association as set forth herein, with each class voting separately. Any such changes shall be effective when an instrument is filed for record in the Deed Records of Williamson County, Texas, with the signatures of the requisite number of Owners of the Property.

Section 2. Amendment.

(a) By Declarant. This Declaration or any Supplemental Declaration may be amended by the Declarant acting alone until December 1, 2005 or until Declarant no longer holds a majority of the votes in the Association, whichever occurs last. No amendment by Declarant after December 1, 2005, shall be effective until there has been recorded in the Real Property Records of Williamson County, Texas, an instrument executed and acknowledged by Declarant and setting forth the amendment, and an instrument executed and acknowledged by the President and Secretary of the Association certifying that the Declarant had the requisite number of votes. Notwithstanding the foregoing, Declarant may amend this Declaration at any time (i) to correct typographical and grammatical errors, and (ii) in order to comply with VA or FHA requirements for approval of the Property.

(b) By Owner. In addition to the method in Article IX Section 2(a), after December 1, 2005, this Declaration may be amended by the recording in the Real Property Records of Williamson County, Texas, of an instrument executed and acknowledged by the President and Secretary of the Association, setting forth the amendment and certifying that such amendment has been approved by the Owners entitled to cast at least eighty percent (80%) of the number of votes entitled to be cast pursuant hereto.

Section 3. Enforcement. Each Owner of any part of the Property, the Association, and Declarant shall have the right (but not the duty) to enforce any of the covenants and restrictions set out in this Declaration, as same may be amended as herein provided. Enforcement of the covenants and restrictions shall be by any proceeding at law or in equity against any person or persons violating or attempting to violate any covenant or restriction, either to restrain violation or to recover damages, and against the Property, to enforce any lien created by these covenants; and failure by Declarant, the

Association or any Owner to enforce any such covenant or restriction shall in no event be deemed a waiver of the right to do so thereafter.

Section 4. Consent to Modification of Plat. Declarant hereby reserves unto itself the exclusive right and power at any time and from time to time to modify, change, resubdivide or amend, in any lawful manner, the subdivision plat of the Property without the necessity of obtaining the written consent of any Owner of any part of the Property prior to such modification, change, resubdivision or amendment; provided, however, that no such modification, change or amendment shall alter the flood plain, easements, utility commitments or streets within, to, or abutting any Lot, or otherwise encumber such Lot, without the written consent of the Owner of such Lot. In that regard, each Owner of any part of the Property hereby consents to the foregoing reservation and hereby waives any and all right to consent to any modification, change or amendment of the subdivision plat by Declarant.

Section 5. Successor Declarant. Declarant may at any time, or from time to time, sell, assign or transfer all or any part of its rights hereunder and/or its right, title and interest in the Property to any person or entity, and such assignee shall thereafter have such rights and powers of Declarant as are so transferred or assigned. In the event Declarant shall convey all of its rights hereunder, then and in such event, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such assignee shall be obligated to perform all such duties and obligations of Declarant effective when an instrument effecting such assignment is filed for record in the Deed Records of Williamson County, Texas.

Section 6. Easements.

(a) Reserved Easements. All dedications, limitations, restrictions and reservations shown on the recorded subdivision plat of the Property, and all grants and dedications of easements, rights-of-way, restrictions, and related rights made by Declarant prior to the Property becoming subject to this Declaration, are incorporated herein by reference and made a part of this Declaration for all purposes as if fully set forth herein, and shall be construed as being adopted in each and every contract, deed or conveyance executed or to be executed by or on behalf of Declarant conveying any part of the Property. Declarant reserves the right to make changes in and additions to the easements and rights-of-way for the purpose of efficiently and economically developing the Property. Further, Declarant reserves the right, without the necessity of the joinder of any Owner or other person or entity, to grant, dedicate, reserve or otherwise create, at any time or from time to time, rights-of-way and easements for public utility purposes (including, without limitation, gas, water, electricity, telephone, cable television, and drainage) in favor of any person or entity, along and on either or both sides of any Lot line, which easement shall have a maximum width of 7.5 feet on each side of such Lot line.

(b) Installation and Maintenance. There is hereby created an easement upon, across, over and under all of the Property for ingress and egress in connection with installing, replacing, repairing, and maintaining all utilities, including, but not limited to, gas, water, electricity, telephone,

cable television, and appurtenances thereto. By virtue of this easement, it shall be expressly permissible for the utility companies and other entities supplying service to install and maintain pipes, wires, conduits, service lines or other utility facilities or appurtenances thereto, on, above, across and under the Property, within the public utility easements from time to time existing and from service lines situated within such easements to the point of service on or in any improvement constructed on the Lots. Notwithstanding any provision contained in this section, no utility lines or appurtenances thereto may be relocated on the Property until approved by the Architectural Control Committee.

(c) Drainage Easement. Each Owner covenants to provide easements for drainage and waterflow as contours and the arrangement of improvements constructed on the Lots require. There shall be no construction of improvements, temporary or permanent, in any drainage easement, except as provided in writing by the Architectural Control Committee.

(d) Surface Areas. The surface of easement areas for underground utility services may be used for the planting of shrubbery, trees, lawns or flowers. However, neither Declarant nor any supplier of any utility service using any easement area shall be liable to any Owner or to the Association for any damage done by them or either of them, or their respective agents, employees, servants, or assigns, to any of the above mentioned vegetation as a result of any activity relating to the construction, maintenance, operation or repair of any facility in such easement area.

Section 7. Construction and Sale. Notwithstanding any provisions contained in the Declaration to the contrary, so long as the initial sale of Lots shall continue, it shall be expressly permissible for Declarant to maintain and carry on upon portions of the Property such facilities and activities as, in the sole opinion of Declarant, may be reasonably required, convenient, or incidental to the sale of such Lots, including, but not limited to, construction offices, business offices, signs, and sales offices, and the Declarant shall have an easement for access to such facilities, such use to be limited, however, to Lots owned by Declarant. This Section may not be amended without the express written consent of the Declarant; provided, however, the rights contained in this Section 7 shall terminate upon the earlier of (a) thirty (30) years from the date this Declaration is recorded, or (b) upon the Declarant's recording a written statement that all sales activity has ceased.

Section 8. Indemnification. The Association shall indemnify every officer and director against any and all expense, including attorneys' fees, reasonably incurred by or imposed upon any officer or director in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer or director. The officers and directors shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the extent that such officers or directors may also be Members of the Association), and the Association shall indemnify and forever hold each such officer and director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which

any officer or director, or former officer or director, may be entitled. The Association may, as a common expense, maintain adequate general liability and officers' and directors liability insurance to fund this obligation, if such insurance is reasonably available.

Section 9. Severability of Provisions. If any paragraph, section, sentence, clause or phrase of this Declaration shall be or become illegal, null or void for any reason or shall be held by any court of competent jurisdiction to be illegal, null, or void, the remaining paragraphs, sections, sentences, clauses or phrases of this Declaration shall continue in full force and effect and shall not be affected thereto. It is hereby declared that said remaining paragraphs, sections, sentences, clauses and phrases would have been and are imposed irrespective of the fact that any one or more other paragraphs, sections, sentences, clauses or phrases shall become or be illegal, null or void.

Section 10. Titles. The titles, headings, and captions which have been used throughout this Declaration are for convenience only and are not to be used in construing this Declaration or any part thereof.

Section 11. Notwithstanding anything herein to the contrary, Declarant reserves the right to transfer, assign, mortgage or pledge any and all of the respective privileges, rights, title and interest hereunder, or in the property, by means of recording an assignment of such in the Official Records of Williamson County, Texas. Upon such assignment, Declarant shall be relieved from any liability arising from the performance or non-performance of such rights and obligations accruing from or after the recording of such assignment. No successor assignee of the rights of Declarant shall have or incur any liability for the obligations or acts of any predecessor in interest.

EXECUTED this 10th day of September, 1997.

GAVURNIK HOMES, L.P.,
a Texas limited partnership
("Declarant")

By: Gavurnik Group, Inc., a Texas corporation
General Partner

By: John J. Gavurnik
John J. Gavurnik, President

KENNEDY PROPERTIES OF TEXAS, L.P.,
a Texas limited partnership
("Property Owner")

By: W.W.K., Inc, an Illinois corporation
General Partner

By: Stephanie St. John
Stephanie St. John, Vice President
W.W.K., Inc.

STATE OF ILLINOIS

COUNTY OF COOK

§
§
§
CORPORATE ACKNOWLEDGMENT

This instrument was acknowledged before me on this 5 day of September, 1997, by
Stephanie St. John, Vice President of W.W.K., Inc., an Illinois corporation, General Partner of
Kennedy Properties of Texas, L.P., a Texas limited partnership, on behalf of said partnership.

MY COMMISSION EXPIRES:

OFFICIAL SEAL
DIANA DEVITO KRANZ
NOTARY PUBLIC, STATE OF ILLINOIS
COMMISSION EXPIRES 5-5-2001

Diana Devito Kranz
NOTARY PUBLIC, STATE OF ILLINOIS

Diana Devito KRANZ
PRINTED NAME OF NOTARY PUBLIC

THE STATE OF TEXAS

COUNTY OF WILLIAMSON

§
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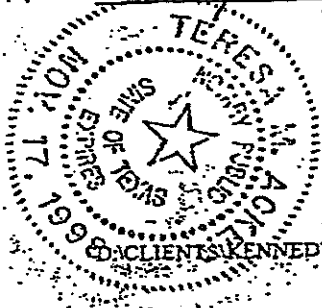
This instrument was acknowledged before me on this 10th day of SEPTEMBER, 1997
by John J. Gayurnik, President of GAVURNIK GROUP, Inc., a Texas corporation, General Partner
of Gavurnik Homes, L.P., a Texas limited partnership, on behalf of said partnership.

MY COMMISSION EXPIRES:

11/17/98

Teresa M. Acker
NOTARY PUBLIC, STATE OF TEXAS

PRINTED NAME OF NOTARY PUBLIC
TERESA M. ACKER
Notary Public, State of Texas
My Commission Expires
NOV. 17, 1998



The Villas of Katy Crossing

Owners' Association

BYLAWS



BYLAWS OF

THE VILLAS OF KATY CROSSING OWNERS' ASSOCIATION, INC. (A Non-Profit Corporation)

ARTICLE 1

GENERAL

Section 1. Name. The name of the organization shall be THE VILLAS OF KATY CROSSING OWNERS' ASSOCIATION, INC.

Section 2. Applicability. These Bylaws provide for the self-government of a subdivision known as A PLANNED UNIT DEVELOPMENT OF KATY CROSSING SECTION TWO, a planned community in Georgetown, Williamson County, Texas, according to the map or plat thereof recorded in Cabinet P, Slides 3-6, Official Records, Williamson County, Texas, (excluding Lot 10, Block C) and those additional lots in Villas at Katy Crossing Section 2 Subdivision, if any, which are or hereafter become subject to the DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE VILLAS OF KATY CROSSING OWNERS' ASSOCIATION, INC. dated September 10, 1997, recorded as Document Number 9742638, Official Records, Williamson County, Texas, pursuant to Article I, Section 15 of said Declaration. All property subject to its covenants, conditions and restrictions shall hereinafter be referred to as the "Property." Unless otherwise expressly defined herein, all capitalized terms shall be construed to have the meanings assigned to them in the Declaration.

Section 3. Declarant. "Declarant" shall mean Gavurnik Homes, L.P., its duly authorized representatives or their respective successors or assigns; provided that any assignment of the rights of Gavurnik Homes, L.P. as Declarant must be expressly set forth in writing and the mere conveyance of a portion of the Property without written assignment of the rights of Declarant shall not be sufficient to constitute an assignment of the rights of Declarant hereunder.

Section 4. Common Areas. "Common Areas" shall mean that portion of the Property owned, leased, operated and/or managed by the Association for the common use and enjoyment of the Members of the Association including, without limitations, all drainage easement areas, and facilities right-of-way, community streets and walkways (to the extent not owned or maintained by appropriate governmental authorities), walkways, parking lots, pipes, wires, conduits and other public utility lines situated thereon (to the extent not owned by appropriate governmental authorities or by local utility companies) and parks and recreational facilities, if any. The Common Areas to be owned by the Association shall include (i) Lot 5, Block C, Katy Crossing Section Two, and (ii) those areas of land conveyed, leased, dedicated or assigned to the Association by Declarant, or by a third party with the consent of Declarant, for maintenance and operation.

Section 5. Lot. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision plat of the Property, including improvements thereto, with the exception of Lot 5, Block C (the Stormwater Easement and Drainage Right-of-Way) and Lot 10, Block C (also referred to as the "Multi-Family Tract").

BYLAWS OF
THE VILLAS OF KATY CROSSING OWNERS' ASSOCIATION, INC.
(A Non-Profit Corporation)

ARTICLE 1

GENERAL

Section 1. **Name.** The name of the organization shall be THE VILLAS OF KATY CROSSING OWNERS' ASSOCIATION, INC.

Section 2. **Applicability.** These Bylaws provide for the self-government of a subdivision known as A PLANNED UNIT DEVELOPMENT OF KATY CROSSING SECTION TWO, a planned community in Georgetown, Williamson County, Texas, according to the map or plat thereof recorded in Cabinet P, Slides 3-6, Official Records, Williamson County, Texas, (excluding Lot 10, Block C) and those additional lots in Villas at Katy Crossing Section 2 Subdivision, if any, which are or hereafter become subject to the DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE VILLAS OF KATY CROSSING OWNERS' ASSOCIATION, INC. dated September 10, 1997, recorded as Document Number 9742638, Official Records, Williamson County, Texas, pursuant to Article I, Section 15 of said Declaration. All property subject to its covenants, conditions and restrictions shall hereinafter be referred to as the "Property." Unless otherwise expressly defined herein, all capitalized terms shall be construed to have the meanings assigned to them in the Declaration.

Section 3. **Declarant.** "Declarant" shall mean Gavurnik Homes, L.P., its duly authorized representatives or their respective successors or assigns; provided that any assignment of the rights of Gavurnik Homes, L.P. as Declarant must be expressly set forth in writing and the mere conveyance of a portion of the Property without written assignment of the rights of Declarant shall not be sufficient to constitute an assignment of the rights of Declarant hereunder.

Section 4. **Common Areas** "Common Areas" shall mean that portion of the Property owned, leased, operated and/or managed by the Association for the common use and enjoyment of the Members of the Association including, without limitations, all drainage easement areas, and facilities right-of-way, community streets and walkways (to the extent not owned or maintained by appropriate governmental authorities), walkways, parking lots, pipes, wires, conduits and other public utility lines situated thereon (to the extent not owned by appropriate governmental authorities or by local utility companies) and parks and recreational facilities, if any. The Common Areas to be owned by the Association shall include (i) Lot 5, Block C, Katy Crossing Section Two, and (ii) those areas of land conveyed, leased, dedicated or assigned to the Association by Declarant, or by a third party with the consent of Declarant, for maintenance and operation.

Section 5. **Lot.** "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision plat of the Property, including improvements thereto, with the exception of Lot 5, Block C (the Stormwater Easement and Drainage Right-of-Way) and Lot 10, Block C (also referred to as the "Multi-Family Tract").

Section 6. Lot Owner. "Lot Owner" shall mean and refer to one or more persons or entities who own the record title to any Lot which is a part of the Property, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Lot is sold under a recorded contract of sale, the purchaser (rather than the fee owner) will be considered the Owner.

Section 7. Maintenance Areas. "Maintenance Areas" shall mean all property now or hereafter maintained by the Association including, without limitation, the Common Areas, if any, and any parks, drainage easement areas, streets, rights-of-way, medians, entry strips, signs and lighting systems on or adjacent to the Property.

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

ARTICLE 2

CORPORATE OFFICE

Section 1. Principal Office. The principal office of the Association shall be at Gavurnik Homes, L.P., 228 Bastian Lane, Georgetown, Texas 78626, unless otherwise determined by the Board of Directors (sometimes hereinafter referred to as the "Board").

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

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

ARTICLE 3

MEMBERS

Section 1. Composition of Membership. All Lot Owners shall be Members of the "Association", and as such shall have the responsibility for administering the Common Areas, establishing the means and methods of collecting the assessments, arranging for the management of the Association, and performing all of the other acts that may be required to be performed by the Association and by the Declaration. Except as to those matters which the Declaration or these Bylaws specifically requires to be performed by the vote of the Lot Owners or by their First

Mortgagees, the administration of the foregoing responsibilities shall be performed by the Board of Directors as more particularly set forth in Article 5 hereof. Every record Lot Owner shall automatically become, upon acquisition of title, a "Member" of this Association and be subject to these Bylaws. Membership will cease, without any formal Association action, whenever such Member ceases to own title to a Lot.

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

Section 3. Votes Required for Passage. At a meeting at which a quorum is present, the vote of the Members holding a majority of the votes represented in person or by proxy shall decide any question brought before the meeting, unless the question is one upon which the vote of a greater number is required by law, the Articles of Incorporation, the Declaration or these Bylaws. The Members present or represented at a meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

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

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

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

ARTICLE 4

MEETINGS OF MEMBERS

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

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

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

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

Section 5. Notice of Meetings.

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

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

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

Section 7. Quorum. The Members holding at least thirty-three percent (33 1/3) of the votes entitled to be cast at a meeting of the Members, represented in person or by proxy, such votes are allocated pursuant to the provisions of these Bylaws and the Declaration, shall constitute a quorum at a meeting of the Members. If a quorum shall not be present or represented at any meeting of the Members, the Members entitled to vote, represented in person or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented any business may be transacted which might have been transacted at the original meeting.

Section 8. Class A Members Committee. At each annual meeting, a Class A Members Committee consisting of the offices of President, Vice-President, Secretary and Treasurer shall be elected by the nominations and voting of Class A Members only. (References to officers in these Bylaws shall mean the officers as defined in Article 6, unless specifically referenced as officers of the Class A Members Committee.) This Committee shall be the official representative of the Class A Members in presenting matters of concern by the residents of the Villas at Katy Crossing Section Two to the Board of Directors. This committee shall present written reports to the Board of Directors, at its own discretion or in response to a request made by the Board of Directors. The Committee may adopt its own rules of procedure and shall keep minutes of any meeting in which a quorum of three or more is present. Such minutes shall be kept at the registered office of the Association for review by Association Members. At the sole discretion of the President of the Association, the President of the Class A Members Committee, or other officer if the President is unavailable, may preside over any meeting of Members.

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

- (a) Roll Call;
- (b) Proof of Notice of Meeting or Waiver of Notice;
- (c) Reading of Minutes of Preceding Meeting;
- (d) Reports of Officers and Board of Directors;
- (e) Report of Management Agent, if any, and if present;
- (f) Report of Committees, if any;

- (g) Election of Members of the Board of Directors (when so required);
- (h) Unfinished Business;
- (i) New Business;
- (j) Consideration of adequacy of reserves; and
- (k) Adjournment.

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

ARTICLE 5

DIRECTORS

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

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

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

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

- (a) The power and duty to select, appoint and remove all officers, agents and employees of the Association, to prescribe such powers and duties for them as may be consistent with law, the Articles of Incorporation, the Declaration and these Bylaws; to fix their compensation and to require from them security for faithful service when deemed advisable by the Board;



AMENDMENT NO. 2005-_____ OF THE BOARD OF
DIRECTORS OF THE VILLAS AT KATY CROSSING
HOMEOWNER'S ASSOCIATION, INC.

On the 17 day of February, 2005, came on before the Members of the Association for consideration the issue of amending Article V, Section 2 of the By-Laws of the Association, entitled, "Number of Directors." That provision as currently stated fixes the number of Directors at three. The Board has determined that it is in the best interest of the Association and its members to amend Article V, Section 2 of the By-Laws to read as follows:

"Effective from the date of the February 17 2005, annual meeting of the Association, the number of directors shall be increased to five; The Members of the Association retain the right to increase or decrease the number of directors from time to time by amendment of these Bylaws upon a two-thirds (2/3) vote of the Members at the annual meeting or at a special meeting called for that purpose; provided, however the number of directors shall not be decreased to less than three (3). No decrease shall have the effect of shortening the term of any incumbent director. A director must meet the membership requirements of the Association as set forth in Article II, section 2 of the Association's Declaration."

By a majority vote of the Members of the Association present, it is hereby so resolved.

By: [Signature]

Secretary

Villas of Katy Crossing Owners Association

Date of Amendment: 2-17-, 2005

Date Signed: 2-17-, 2005

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AMENDMENT NO. 2005-_____ OF THE BOARD OF
DIRECTORS OF THE VILLAS AT KATY CROSSING
HOMESOWNER'S ASSOCIATION, INC.

On the 17th day of February, 2005, came on before the Members of the Association for consideration the issue of amending Article V, Section 3 of the By-Laws of the Association, entitled, "Election and Term of Office." That provision as currently stated fixes the term of office of each member of the Board of Directors at one year. The Board has determined that it is in the best interest of the Association and its members to amend Article V, Section 3 of the By-Laws to read as follows:

"Effective from the date of the February 17 2005, annual meeting of the Association, the number of directors shall consist of five chairs. The term of office for the 1st chair shall be fixed at three years and shall thereafter be set for three year terms; the term of office of Chair #2 shall initially be fixed at two years, at the expiration of the initial term, the 2nd chair's term shall be fixed thereafter at three years; and the term of office of Chair #3 shall be initially fixed at one year, at the expiration of the 3rd Chair's initial term, its term shall thereafter be fixed at three years. Chair's #4 and #5's terms shall each be fixed at one year. The three members currently acting as Directors shall hold office pending their re-election or until their successors have been elected and hold their first meeting".

By a majority vote of the Members of the Association present, it is hereby so resolved.

By: [Signature]

Secretary

Villas of Katy Crossing Owners Association

Date of Amendment: 2-17-, 2005Date Signed: 2-17-, 2005

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- (b) The power and duty to conduct, manage and control the affairs and business of the Association, and to make and enforce such rules and regulations (the "Villas at Katy Crossing Rules") therefor consistent with the law, with the Articles of Incorporation, the Declaration and these Bylaws, as the Board may deem necessary or advisable;
- (c) The power and duty to fix and levy from time to time regular annual assessments and special assessments upon the Members, as provided in the Declaration, to determine and fix the due date for the payment of such assessments, and the date upon which the same shall become delinquent; provided, however, that such assessments shall be fixed and levied only to provide for the payment of the authorized expenses of the Association and of taxes and assessments upon real or personal property owned, leased controlled or occupied by the Association, or for the payment of expenses for labor rendered or materials or supplies used and consumed, or equipment and appliances furnished for the maintenance, improvement or development of such property or for the payment of any and all obligations in relation thereto, or in performing or causing to be performed any of the purposes of the Association for the health, safety, general benefit and welfare of its Members, in accordance with the provisions of the Declaration. Subject to any limitations imposed by the Declaration and these Bylaws, the Board of Directors shall have the power and duty to incur any and all such expenditures for any of the foregoing purposes and to provide, or cause to be provided, adequate funds for replacements as it shall deem to be necessary or advisable in the interest of the Association or welfare of its Members. The funds collected by the Board of Directors from the Members, attributable to replacement funds, for maintenance costs recurring less frequently than annually, and for capital improvements, shall at all times be held in trust for the Members and shall not be commingled with other assessments collected from the Members. Such Annual Assessments and Special Assessments shall be fixed in accordance with the provisions of these Bylaws and the Declaration. Should any Member fail to pay such assessments before delinquency, the Board of Directors in its discretion is authorized to enforce the payment of such delinquent assessments as provided herein and in the Declaration;
- (d) The power and duty to enforce the Villas at Katy Crossing Restrictions as defined in the Declaration;
- (e) The power and duty to contract for and pay fire, casualty, errors and omissions, blanket liability, malicious mischief, vandalism, and other insurance, insuring the Members, the Association, the Board of Directors and other interested parties, in accordance with the provisions of the Declaration, insuring, covering and protecting against such damages or injuries as the Board deems advisable (which may include without limitation, medical expenses of persons injured on the Property). The Board shall review, not less frequently than annually and in advance of expiration dates, all insurance policies and bonds obtained on behalf of the Association by the Board or by agents of the Association;

- (f) The power and duty to contract and pay for repairs, maintenance, gardening, utilities, materials and supplies, and services relating to the Property and to employ personnel necessary for the operation of the Property and to keep in good order, condition and repair, all of the Common Areas and all items of personal property used in the enjoyment of the entire premises, including the power to contract and pay for legal and accounting services, and to contract for and pay for Improvements on the Common areas;
- (g) The power and duty to accept assignment of or enter into license and/or maintenance agreements with the City of Georgetown or other appropriate governmental authority to construct, maintain, repair and replace landscape improvements and irrigation systems within any public right-of-way crossing or abutting the Property;
- (h) The power, but not the duty, to delegate its powers according to law;
- (i) The power and the duty to grant and maintain easements where necessary for utilities, sewer facilities and other public purposes to serve the Property;
- (j) The power and duty to adopt such rules and regulations ("Villas at Katy Crossing Rules") as the Board may consider necessary for the management of the Property, which Villas at Katy Crossing rules shall become effective and binding after (1) they are adopted by a majority of the Board at a duly called meeting, and (2) they are either mailed or otherwise delivered to each Member. Such Rules and Regulations may address, without limitation, use of the Common Areas, signs, parking restrictions, minimum standards of property maintenance, and any other matter within the jurisdiction of the Association as provided in the Declaration; provided, however, that such Villas at Katy Crossing Rules shall be enforceable only to the extent that they are consistent with the Declaration, the Articles of Incorporation and these Bylaws; and the Villas at Katy Crossing Rules may not be used to amend any of said documents;
- (k) The power and duty to keep, or cause to be kept, a complete record of all acts and corporate affairs of the Association and to present a statement thereof to the Members at the annual meeting of the Members and at any other time that such statement is requested by Members representing at least fifty percent (50%) of the total voting power of the Association;
- (l) The power, but not the duty, to sell personal property of the Association; provided, however, that the prior vote or written approval of the Members entitled to cast at least a majority of the voting power of the Association must be obtained to sell, during any fiscal year, personal property of the Association;
- (m) The irrevocable right of access to each Lot at reasonable hours as may be necessary for the maintenance, repair or replacement of any improvements to the Common areas to prevent damage to the Common areas;

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

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

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

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

Section 8. Committees.

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

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

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

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

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

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

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

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

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

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

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

Section 17. Action Without Meeting. Any action required or permitted to be taken at a meeting of the Board of Directors or any executive committee, or other committee may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of

the members of the Board of Directors or executive committee then in office, as the case may be. Such consent shall have the same force and effect as a unanimous vote at a meeting, and may be stated as such in any document or instrument filed with the Secretary of State.

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

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

ARTICLE 6

OFFICERS

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

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

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

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

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

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

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

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

Section 9. Duties of Treasurer. The treasurer shall have the care and custody of and be responsible for the funds and properties of the Association and shall deposit such funds in the name of the Association in such depositories as the Board of Directors may from time to time designate. The treasurer shall sign, make and endorse in the name of the Association all checks, drafts, warrants, and orders for the payment of money and shall pay out and dispose of same and receipt therefor, under the direction of the president or the Board of Directors. The treasurer shall disburse funds as directed by resolution of the Board of Directors, provided, however, that a resolution of the Board of Directors is not necessary for disbursements made in the ordinary course of business.

conducted within the limits of a budget adopted by the Board of Directors. The treasurer shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial data. The treasurer shall exhibit at reasonable times and upon reasonable request his books and records of account to any director or Member of the Association. The treasurer shall cause an annual Compilation Statement of the Association books to be made by a certified public accountant, or public accountant, at the completion of each fiscal year, and shall, with the Board of Directors, prepare an annual budget and a statement of income and expenditures to be presented to the Members at the annual meeting, and deliver a copy of each to the Members. The treasurer shall also render a statement of the condition of the financial affairs of the Association at each regular meeting of the Board of Directors and at such other times as he may be directed by the Board of Directors or by the president.

ARTICLE 7

LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1. Indemnification.

1.1. Definitions. For purposes of this Section 1:

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

(b) "Indemnitee" means (a) any present or former director, advisory director, or officer of the Association, (b) any person who, while serving in any of the capacities referred to in clause (a) hereof served at the Association's request as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, and (c) any person nominated or designated by (or pursuant to authority granted by) the Board of Directors or any committee thereof to serve in any of the capacities referred to in clauses (a) or (b) hereof.

(c) "Official Capacity" means (a) when used with respect to a director, the office of director of the Association, and (b) when used with respect to a person other than a director, the elective or appointive office of the association held by such person or the employment or agency relationship undertaken by such person at the request of or on behalf of the Association, but in each case does not include service for any other foreign or domestic corporation or any partnership, joint venture, sole proprietorship, trust, employee benefit plan or any other enterprise.

(d) "Proceeding" means any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitral or investigative, any appeal in such an action, suit or proceeding, and any inquiry or investigation that could lead to such an action, suit or proceeding.

1.2. **Indemnification.** The Association shall indemnify an Indemnitee who was, is, or is threatened to be named defendant, respondent or witness in a Proceeding by reason, in whole or in part, of such person serving or having served, or having been nominated or designated to serve, in any of the capacities referred to in Subparagraph 1.1.(b) above, against any judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses actually incurred by the person in connection with the Proceeding if it is determined, in the manner described in Paragraph 1.3. below, that the person (1) conducted himself in good faith, (2) reasonably believed, in the case of conduct in his Official Capacity, that his conduct was in the Association's best interests, and in all other cases, that his conduct was at least not opposed to the Association's best interests, and (3) in the case of any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful; provided, however, that if the person is found liable to the Association or is found liable on the basis that personal benefit was improperly received by him, the indemnification (i) shall be limited to reasonable expenses actually incurred by the person in connection with the Proceedings and (ii) shall not be made in respect of any Proceeding in which the person shall have been found liable for willful or intentional misconduct in the performance of his duty to the Association. The termination of a Proceeding by judgment, order, settlement or conviction, or on a plea of nolo contendere or its equivalent is not of itself determinative that the person did not meet the requirements for indemnification set forth above. A person shall be deemed to have been found liable in respect of any claim, use or matter only after the person shall have been so adjudged by a court of competent jurisdiction after exhaustion of all appeals therefrom. Notwithstanding any other provision of this Section, the Association shall pay or reimburse expenses incurred by an Indemnitee in connection with his appearance as a witness or other participant in a Proceeding at a time when he is not a named defendant or respondent in the Proceeding. Reasonable expenses shall include, without limitation, all court costs and all fees and disbursements of attorneys for the Indemnitee.

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

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

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

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

1.7. **Entitlement.** The indemnification provided by this Section shall (1) not be deemed exclusive of, or to preclude, any other rights to which those seeking indemnification may at any time be entitled under the Association's Articles of Incorporation, any law, agreement or vote of Members or disinterested directors, or otherwise (2) continue as to a person who has ceased to be in the capacity by reason of which he was an Indemnatee with respect to matters arising during the period he was in such capacity, and (3) inure to the benefit of the heirs, executors and administrators of such a person.

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

1.9. **Effect of Amendment.** No amendment, modification or repeal of this Section or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnities to be indemnified by the Association, nor the obligation of the Association to indemnify any such Indemnities, under and in accordance with the provisions of this Section as in effect immediately prior to such amendment, modification or repeal with respect to claims rising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

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

Section 2. Interested Directors and Officers.

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

2.2. Paragraph 2.1. above will apply only if:

(a) The contract or transaction is fair to the Association as of the time it is authorized or ratified by the Board of Directors, a committee of the Board, or the Members; or

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

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

ARTICLE 8

COMMON EXPENSES AND ASSESSMENTS

Section 1. Determination of Common Expenses and Assessments.

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

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

1.2.1. The cost of the maintenance or repair of any Lot or improvement thereon in the event such maintenance or repair is reasonably necessary, in the discretion of the Board of Directors, (i) because of the excessive use or damage caused by willful or negligent acts by a Lot Owner or his guests, invitees, licensees, agents employees or patrons, (ii) to protect the Common areas, (iii) to preserve the appearance or value of the Property or, (iv) to protect the interest of the general welfare of all Owners; provided, however, that no such special maintenance or repair shall be undertaken without a resolution by the Board of Directors and not without reasonable written notice to the Owner of the Lots proposed to be maintained and provided further that the cost thereof shall be assessed against

the Lots on which such maintenance or repair is performed; and, when so assessed, a statement for the amount thereof shall be rendered promptly to the then Owner of said Lots, at which time the assessment shall become due and payable and shall be a continuing lien and obligation of said Owner in all respects as provided in the Declaration; and

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

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

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

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

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

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

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

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

Section 3. Delinquency and Acceleration. Any installment of an assessment provided for in these Bylaws shall become delinquent if not paid on the due date as established by the Board of Directors of the Association, pursuant to the provisions hereof or pursuant to the Declaration. With respect to each installment of an assessment not paid within thirty (30) days after its due date, the Board of Directors may, at its election, require the delinquent Lot Owner to pay a reasonable late charge, together with interest at the maximum rate permitted by law on such delinquent sums, calculated from the date of delinquency to and including the date full payment is received by the Association. If any installment of an Annual Assessment is not paid within thirty (30) days after its due date, the Board may mail a notice, by certified mail return receipt requested, to the Lot Owner and to each First Mortgagee of a Lot which has requested a copy of the notice. Such notice shall specify, in addition to any information required to be provided under the Declaration, (1) the fact that the assessment is delinquent; (2) the action required to cure the default; (3) a date, not less than thirty (30) days from the date the notice is mailed to the Lot Owner, by which such default must be cured; and (4) that failure to cure the default on or before the date specified in the notice may result in foreclosure by the Association against the Lot. If the delinquent installments of the assessments of whatever nature, and any charges thereon are not paid in full on or before the date specified in the notice, the Board at its option may declare all of the unpaid balance of the Annual Assessment for the then current fiscal year, attributable to that Lot Owner and his or its Lot(s) to be immediately due

and payable without further demand and may enforce the collection of the full Annual Assessment and any other assessments and all charges thereon in any manner authorized by law, these Bylaws and the Declaration.

ARTICLE 9

JOINT OWNERSHIP

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

ARTICLE 10

OBLIGATION OF MEMBERS

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

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

ARTICLE 11

NOTICE OF HEARING PROCEDURE

Section 1. Suspension of Privileges. In the event of an alleged violation of the Declaration, these Bylaws or any other Rules and Regulations of the Association, and after written notice of such alleged failure is delivered (in the manner prescribed in Section 2 of Article 11 hereof) to the Lot Owner or any agent of the Lot Owner (the "Respondent") alleged to be in default, the Board shall have the right, after affording the Respondent an opportunity for an appropriate hearing as hereinafter provided, and upon an affirmative vote of a majority of all directors on the Board, to take any one or more of the following actions: (1) levy a special assessment if so provided in the Declaration and these Bylaws; (2) suspend or condition the right of said Lot Owner to use any facilities owned,

operated or maintained by the Association; (3) suspend said Lot Owner's voting privileges in the Association as a Lot Owner, as further provided in the Declaration and these Bylaws; or (4) record a notice of noncompliance encumbering the Lots and/or residence of the Respondent. Any such suspension shall be for a period of not more than thirty (30) days for any noncontinuing infraction, but in the case of a continuing infraction (including nonpayment of any assessment after the same becomes delinquent) suspension may be imposed for so long as the violation continues. No action against a Lot Owner arising from the alleged violation shall take effect prior to the expiration of (a) fifteen (15) days after the Lot Owner's receipt of the complaint pursuant to Section 2, and (b) five (5) days after the hearing required herein. The failure of the Board to enforce any Rules and Regulations of the Association, these Bylaws or the Declaration shall not constitute a waiver of the right to enforce the same thereafter. The remedies set forth above and otherwise provided by these Bylaws, the Declaration, the Restrictive Covenants and the Articles of Incorporation shall be cumulative and none shall be exclusive. However, any individual Lot Owner must exhaust all available internal remedies of the Association prescribed by these Bylaws, or by The Villas at Katy Crossing Rules, provided, however, that the foregoing limitation pertaining to exhausting administrative remedies shall not apply to the Board or to any Lot Owner where the complaint alleges nonpayment of assessments.

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

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

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

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

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

"You are hereby notified that a hearing will be held before the Board of Directors of
THE VILLAS OF Villas at Katy Crossing OWNERS' ASSOCIATION, INC., at _____

_____ on the _____ day of _____ 19_____ at the hour of
_____ upon the charges made in the complaint served upon you. You may be present at the hearing, may but need not be represented by counsel, may present any relevant evidence, and will be given full opportunity to cross-examine all witnesses testifying against you. You are entitled to request the attendance of witnesses and the production of books, documents or other items by applying to the Board of Directors."

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

ARTICLE 12

MISCELLANEOUS

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

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

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

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

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

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

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

Section 8. Financial Records.

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

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

changes in fund balances, a statement of functional expenses, and balance sheets for all funds.

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

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

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

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

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

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

ARTICLE 13

AMENDMENTS

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

architectural design or maintenance, or (iii) changes the manner in which insurance proceeds are used, shall have the additional approval of sixty-seven percent (67%) of the first mortgagees (based upon one vote for each mortgage owned).

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

ARTICLE 14

CONFLICT

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

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected Secretary of THE VILLAS OF KATY CROSSING OWNERS' ASSOCIATION, INC., a Texas limited non-profit corporation, and,

THAT the foregoing Bylaws constitute the Bylaws of said Association, as duly approved by the Unanimous Written Consent of Directors In Lieu of Organizational Meeting, effective May 1, 1998.

IN WITNESS WHEREOF, I have hereunto subscribed my name this ____ day of May, 1998.

Carolyn Gavurnik