

BY-LAWS
OF
LAKE HOUSTON COMMUNITY ASSOCIATION

ARTICLE I

NAME AND LOCATION

The name of the corporation is **Lake Houston Community Association**, hereinafter referred to as the "Association". The principal office of the corporation shall be located at 800 Dallas, Houston, Texas 77002, but meetings of members and directors may be held at such places within the State of Texas, Counties of Harris and Montgomery, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to **Lake Houston Community Association**, a non-profit corporation incorporated under the laws of the State of Texas, its successors and assigns.

Section 2. "Board" shall mean and refer to the duly elected Board of Directors of the Association.

Section 3. "Owner" shall mean and refer to the record owner, (other than the Declarant) whether one or more persons or entities, of a fee simple title to any Lot, Parcel, Apartment or tract of Commercial Land which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 4. "Properties" shall mean and refer to that certain real property described in this Declaration of Covenants, Conditions and Restrictions, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 5. "Common Area" shall mean and refer to all real property owned by the Association for the common use and enjoyment of the Owners.

Section 6. "Lot" shall mean and refer both to each platted lot within the Properties shown upon any recorded subdivision map upon which there has been or will be constructed a single-family residence, and to the residence and improvements constructed or to be constructed thereon.

Section 7. "Parcel" shall mean and refer to any residential townhouse on land situated within the Properties and which land is made subject to residential townhouse use restriction by virtue of a deed or other legal instrument of record in the office of the Harris County Real Property Records.

Section 8. "Apartment" shall mean and refer to any residential living unit in an apartment building on land situated within the Properties and which land is made subject to residential apartment use restriction by virtue of a deed or other legal instrument of record in the office of the Harris County Real Property Records.

Section 9. "Commercial Land" shall mean and refer to any plot of land shown on any recorded subdivision map of the Properties and restricted to commercial use or any plot of land within the boundaries of the Properties which is made subject to a commercial use restriction by virtue of a deed or other legal instrument of record in the office of the Harris County Real Property Records, with the exception of any public school land, church land and Common Area.

Section 10. "Declarant" shall mean and refer to Friendswood Development Company and King Ranch, Inc., their successors and assigns if such successors or assigns should acquire the property from the Declarant for the purpose of development.

Section 11. "Member" shall mean and refer to those persons entitled to membership as provided in the Articles of Incorporation of the Association.

Section 12. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Properties recorded in the office of the Harris County Real Property Records.

ARTICLE III

MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within two years from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held during the same month of each year thereafter, at the hour of 7:00 o'clock P.M.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the president or by the Board of Directors, or upon written request of the Members who are entitled to vote one-fourth (1/4) of all of the votes of the Class A membership.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days before such meeting to each Member entitled to vote at the meeting, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, ten percent (10%) of the vote of the membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote there at shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting. The required quorum at a subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. Subsequent meetings shall be held no sooner than thirty (30) days or more than sixty (60) days following the adjourned meeting.

Section 5. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of the Lot, Parcel, Apartment, or Commercial Land.

ARTICLE IV

BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of five (5) directors, who need not be Members of the Association.

Section 2. Term of Office. At the first annual meeting, the Members shall elect two (2) directors for a term of one (1) year, two (2) directors for a term of two (2) years, and one (1) director for a term of three (3) years; each term to end on the date the annual meeting of the Association is actually held and not before; and at each such annual meeting thereafter the Members shall elect directors for a term of three (3) years for whom terms of office have expired.

Section 3. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation, or removal of a director, the successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any service rendered to the Association. However, any director may be reimbursed for actual expenses incurred in the performance of duties to the Association.

Section 5. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or non-members.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held at a minimum of quarterly without notice to the Members, at such place and hour as may be fixed from time to time by resolution of the Board.

Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two directors, after not less than three (3) days notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have power to:

(a) Adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) Suspend the voting rights and right to use of the recreational facilities of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;

(c) Exercise on behalf of the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, or the Declaration;

(d) Declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

(e) Employ a manager, an independent contractor, or such employees as they deem necessary, and to prescribe their duties.

(f) File and foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the Owner personally obligated to pay the same.

Section 2. Duties. It shall be the duty of the Board of Directors to:

(a) Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;

(b) Supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) As more fully provided in the Declaration, to:

(1) fix the amount of the annual assessment against each Lot, Parcel, Apartment and tract of Commercial Land at least thirty (30) days in advance of each annual assessment period;

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and

(d) Issue, or to cause an appropriate officer or agent to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) Procure and maintain adequate liability and hazard insurance on property owned by the Association and director and officer liability insurance;

(f) Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) Operate, maintain and otherwise manage the Common Areas and any improvements, facilities and landscaping thereon.

(h) Cause the Common Areas and recreational facilities and landscaping thereon and the landscaping in the esplanades, around the perimeter walls located at the entrances to the Property and in the greenbelt buffers to be maintained from the funds received through the annual assessment. Such assessment funds shall be apportioned and expended in an equitable manner.

(i) Contract for garbage and refuse pick up for each Lot.

(j) Cause all streets within and adjacent to the Properties to be lighted;
and

(k) Indemnify the Association's directors and officers to the full extent provided by law.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of this Association shall be a president and vice president, who shall at all times be members of the Board of Directors, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 3. Term. The officers of this Association shall be elected annually by the Board, and each shall hold office for one (1) year ending on the date the next annual meeting is actually held unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may appoint such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the president or the secretary. Such

resignation shall take effect on the date of receipt of such notice or any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

PRESIDENT

(a) The president shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and promissory notes; and shall be generally responsible for the affairs of the Association.

VICE PRESIDENT

(b) The vice president shall act in the place and stead of the president in the event of absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required by the Board.

SECRETARY

(c) The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses; and shall perform such other duties as required by the Board.

TREASURER

(d) The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall co-sign promissory notes of the Association; keep proper books of account; cause an annual audit of the Association books to be made by a competent accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Members.

ARTICLE IX

COMMITTEES

The Board of Directors shall appoint a Nominating Committee, as provided in these By-Laws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE X

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member. The Declaration, the Articles of Incorporation and the By-Laws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XI

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the highest rate of interest per annum allowed in the State of Texas, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability (as stated in Article V, Section B, of the Declaration or) by non-use of the streets or Common Area or abandonment of his Lot, Parcel, Apartment or tract of Commercial Land.

ARTICLE XII

APPEALS

Section 1. Right of Appeal. A member may appeal any decision of any committee appointed pursuant to Article IX hereof to the Board provided that all subordinate avenues of resolution have been pursued and provided further that all parties involved comply with the decision of such committee until such time, if any, as the Board amends or reverses the committee's decision.

Section 2. Appeals Petitions. Appeals petitions shall be legibly written and shall be submitted in form satisfactory to the Board.

Section 3. Hearing. Any Member filing an appeal as hereinabove set forth shall be entitled to a hearing before the Board upon at least seven (7) days prior written notice to all interested parties.

Section 4. Decision. Following the hearing, the Board may, by majority vote of a quorum as herein provided, uphold the decision of the committee in its entirety, may amend such decision, or may overturn such decision.

Section 5. Further Action. A Member shall exhaust all available remedies as herein provided before such Member may resort to a court of law for relief with respect to any committee decision, provided that such limitation shall not apply to the Board or any Member where the complaint alleges non-payment of assessments.

ARTICLE XIII

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words "LAKE HOUSTON COMMUNITY ASSOCIATION".

ARTICLE XIV

AMENDMENTS

These By-Laws may be amended at a regular or special meeting of the Members, by a vote of a majority of a quorum of votes present in person or by proxy.

ARTICLE XV

PRINCIPAL OFFICE

The principal office of the Association shall be designated by the Board of Directors and shall remain as such until changed by further resolution of the Board.

ARTICLE XVI

MISCELLANEOUS

Section 1. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

Section 2. The fiscal year of the Association shall begin on the first day of April and end on the 31st day of March of every year except that the first fiscal year shall begin on the date of incorporation.

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