

BY-LAWS

of

SHEPHERD TRACE HOMEOWNERS ASSOCIATION, INC.

Article I

Name and Offices

The name of the corporation is SHEPHERD TRACE HOMEOWNERS ASSOCIATION, INC., hereinafter referred to as the "Association". The initial registered office of the Association shall be located at 9225 Katy Freeway, Suite 302, Houston, Texas 77024, but meetings of members and directors may be held at such places within the State of Texas, County of Harris as may be designated by the Board of Directors. The name of the Association's initial registered agent is Richard Chamberlain, whose address is 9225 Katy Freeway, Suite 302, Houston, Texas 77024.

Article II

Definitions

Section 1. "Association" shall mean and refer to Shepherd Trace Homeowners Association, Inc., a Texas non-profit corporation, its successors and assigns.

Section 2. "Common Area" shall mean and refer to any land now or hereafter owned or acquired by the Association for the common use and enjoyment of the Members of the Association.

Section 3. "Declarant" shall mean and refer to Suffolk, Inc., a Texas corporation, its successors and assigns.

Section 4. "Lot" shall mean and refer to any of the numbered plots of land shown on the recorded map or plat of the Subdivision.

Section 5. "Living Unit" shall mean and refer to any improvements on a Lot which are designed and intended for occupancy and use as a residence by one person, by a single family, or by persons living together as a single housekeeping unit.

Section 6. "Occupied Living Unit" shall mean and refer to any Living Unit in which one or more persons are residing.

Section 7. "Declaration" shall mean the Declaration of Covenants, Conditions and Restrictions, as amended from time to time, of the Subdivision, a copy of which is filed for record in the Official Public Records of Real Property of Harris County, Texas, under Clerk's File No. F786 720 and recorded under Film Code No. 107-94-2402.

Section 8. "Member" shall mean and refer to every person or entity who holds a membership in the Association.

Section 9. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any Lot which is a part of the Subdivision, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation. However, the term "Owner" shall include any mortgagee or lien holder who acquires fee simple title to any Lot through judicial or non-judicial foreclosure.

Section 10. "Subdivision" shall mean and refer to Shepherd Trace, a subdivision in Harris County, Texas, according to the map or plat thereof recorded in Volume 278, Page 78 of the Map Records of Harris County, Texas.

Article III

Membership and Voting Rights

Section 1. Membership. Every Owner shall hold a membership in the Association. Membership shall be appurtenant to and may not be separated from ownership of a Lot. Ownership of a Lot shall be the sole qualification for membership. Any mortgagee or lien holder who acquires title to any Lot which is a part of the Subdivision, through judicial or non-judicial foreclosure, shall be a Member of the Association.

Section 2. Voting Rights. There shall be two classes of membership entitled to voting rights in the Association and they shall be as follows:

(a) Class A. All Members of the Association shall be considered Class A Members. Such Class A Members of the Association will have a non-voting membership in the Association until January 1, 1981. After such time each Class A Member shall be entitled to one (1) vote for each Lot owned, on each matter coming before the Members at any meeting or otherwise, unless his voting rights have been suspended by the Board of Directors as provided in Article VII, Section 1. In the event a particular Lot is owned by more than one individual or entity, all of the individuals or entities holding an ownership interest in that Lot shall be considered Class A Members; however, for that particular Lot they shall be entitled to a total of no more than one (1) vote on each matter coming before the Members at any meeting or otherwise. The vote for such Lot shall be exercised as they among themselves determine. The vote of any Lot standing in the name of a man and his wife may be cast by either of them in person or by a proxy duly signed by both of them. The vote of any Lot standing in the name of a corporation may be voted by such officer, agent or proxy as the by-laws of such corporation prescribe. The vote of any Lot standing in the name of an administrator, executor, or guardian may be voted by such administrator, executor or guardian so long as such Lot has not been distributed from, and forms a part of, the estate being served by him, either in person or by proxy.

(b) Class B. Class B Members shall be those individuals or entities who are herein defined as Declarant, and shall be entitled to one (1) vote on each matter coming before the Members at any meeting or otherwise prior to January 1, 1981. Such vote shall be exercised as they among themselves determine. After January 1, 1981 the Class B Membership and all voting rights associated with such shall terminate.

Section 3. Required Vote. The vote of the majority of the votes entitled to be cast by the Members present, or represented by proxy, at a meeting at which a quorum is present, shall

be the act and decision of the Members, unless the vote of a greater number is required by law, the Articles of Incorporation of the Association, these By-Laws or the Declaration.

Article IV

Meeting of Members

Section 1. Annual Meeting. The first annual meeting of the Members shall be held within one year from the date of incorporation of the Association and each subsequent regular annual meeting of the Members shall be held on the same day of the same month of each year thereafter, at the hour of 7:30 o'clock P.M. If the day fixed for the annual meeting shall be a legal holiday in the State of Texas, such meeting will be held on the next succeeding business day.

Section 2. Special Meetings. Special meetings of the membership for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or by the Board of Directors, or upon written request of the Members who are entitled to cast one-fourth (1/4) of all the votes entitled to be cast at such meeting.

Section 3. Place of Meeting. The Board of Directors may designate any place within the State of Texas, County of Harris, as the place of meeting for annual meetings or for any special meeting called by the Board of Directors. If no designation is made or if a special meeting be otherwise called, the place of meeting shall be the registered office of the corporation in the State of Texas.

Section 4. Notice of Meeting. Written or printed notice stating the place, day and hour of the meeting, and in the case of special meetings, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting either personally or by mail by or at the direction of the President or the Secretary or the officer or persons calling the meeting to each member 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 roll of the Association, with postage thereon prepaid. Attendance by a Member, whether in person or by

proxy, at a membership meeting shall constitute a waiver of notice of such meeting of which he had no notice.

Section 5. Quorum. The presence at the meeting of Members holding one-third (1/3) of all membership votes entitled to be cast in each membership class that is entitled to vote at the time of such meeting, or their proxies 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 thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present and represented. The Members present at a duly organized meeting may continue to transact business until adjournment notwithstanding the withdrawal of enough members to leave less than a quorum.

Section 6. Proxies. At all meetings of Members, a Member may vote by proxy executed in writing by the Member or by his duly authorized attorney in fact. All proxies shall be in writing and filed with the Secretary of the Association before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution.

Article V

Board of Directors

Section 1. Number. The affairs of the Association shall be managed by a board of five (5) directors, who need not be members of the Association. Each such director shall be elected at an annual meeting of the Members or at a special meeting of the Members called for such purpose and shall hold office for his designated term. The number of directors may be changed by amendment of the By-Laws of the Association. Until the election of directors at the first annual meeting of the Members, the initial Board of Directors shall so serve.

Section 2. Term of Office. At the first annual meeting the Members shall elect two (2) director for a term of one (1) year, one (1) director for a term of two (2) years and two (2) director for a term of three (3) years; and at each annual meeting thereafter the Members shall elect two (2) director for a term of three (3) years.

Section 3. Removal of Directors. At any regular or special meeting duly called, any one or more of the directors may be removed with or without cause by a two-thirds (2/3) vote of the Members eligible to vote, and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting.

Section 4. Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a director by a vote of the Association shall be filled by a vote of the remaining directors, and each person so elected shall be a director until a successor is elected at the next annual meeting of the Association.

Section 5. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 6. 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 the written approval of all the directors. Any actions so approved shall have the same effect as though taken at a meeting of the directors.

Article VI

Meetings of Directors

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held without notice, at such place and hour and as often as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, the 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 other director, after not less than three (3) days notice to each of the directors. The person authorized to call special meetings of the Board of Directors may fix

any place within the State of Texas, County of Harris, as the place for holding any special meeting of the Board of Directors called by them.

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.

Section 4. Waiver of Notice. Before or at any meeting of the Board of Directors, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Article VII

Powers and Duties of the Board of Directors

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

(a) Acquire (by gift, purchase or otherwise), own, hold, improve, build upon, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property for the benefit of the members of the Association;

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

(c) Suspend the voting rights and right to use any Common Area recreational facilities of a Member during a 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 thirty (30) days for infraction of published rules and regulations;

(d) Exercise for 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;

(e) 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;

(f) Employ a manager, independent contractors, or other such employees as they deem necessary, and to prescribe their duties; and

(g) Obtain insurance and apply proceeds of such insurance, all in accordance with the provisions of the Declaration.

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

(a) Cause to be kept a 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 which such statement is requested in writing by one-fourth (1/4) of the Members of the Association 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) Levy and collect assessments in accordance with Article XII hereof and the Declaration;

(d) Issue, or cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not his 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) Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(f) Cause any Common Area to be maintained;

(g) Cause the exterior and grounds of each Owner's dwellings to be maintained in accordance with the Declaration;

(h) Protect and defend the entire premises from loss and damage by suit or otherwise;

(i) Upon obtaining the approval required by the Articles of Incorporation, borrow funds in order to pay for any expenditure or outlay required and to execute all such instruments evidencing such indebtedness;

(j) Enter into contracts within the scope of their duties and powers;

(k) Establish a bank account for the common treasury and for all separate funds which are required or may be deemed advisable by the Board of Directors;

(l) Prepare and deliver annually to each Owner a statement showing any and all receipts, expenses or disbursements since the last such statement;

(m) Designate the personnel necessary for the maintenance and operation of any Common Area; and

(n) Carry on, in general, the administration of this Association, and to do all of those things necessary and reasonable in order to carry out the proper operation of the Subdivision.

Article VIII

Officers and Their Duties

Section 1. Enumeration of Officers. The officers of this Association, who shall be members of the Board of Directors, shall be a president, a vice president, and a secretary/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 within thirty (30) days 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 unless they shall sooner resign, or shall be removed, or otherwise disqualify to serve.

Section 4. Special Appointments. The Board may elect 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 without cause by a majority vote of the Board. Any officer may resign at any time 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 at 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. Multiple Offices. A person may simultaneously hold more than one office except that no person may simultaneously hold the offices of President and Treasurer.

Section 7. 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 shall co-sign all checks and promissory notes, except as may be otherwise approved by the Board of Directors.

Vice President

(b) The vice president shall have such powers and duties as may be assigned to him by the Board of Directors and shall exercise the powers of the president during that officer's absence or inability to act. Any action taken by a vice president in the performance of the duties of the president shall be conclusive evidence of the absence or inability to act of the president at the time such action was taken.

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 sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be registered to the membership at its regular annual meeting, and deliver a copy of each to the Members.

Article IX

Indemnification of Officers and Directors

The Association shall indemnify every director or officer, his heirs, executors and administrators, against all loss, costs and expense, including counsel fees, reasonably incurred by him in connection with any action, suit or proceeding to which he

may be made a party by reason of his being or having been a director or officer of the Association, except as to matters as to which he shall be finally adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his duty as such director or officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such director or officer may be entitled. All liability, loss, damage, costs and expense incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as expenses payable from assessments; provided, however, that nothing in this Article contained shall be deemed to obligate the Association to indemnify any member or Owner, who is or has been a director or officer of the Association, with respect to any duties or obligations assumed or liabilities incurred by him under and by virtue of the Declaration as a member or Owner covered thereby.

Article X

Architectural Control

Section 1. Architectural Control Committee. There is hereby created an Architectural Control Committee (herein referred to as the "Committee") comprised of Samuel F. Marshall, Nicholas J. Palermo and Richard Chamberlain, all of Harris County, Texas, each of whom shall serve until his successor is appointed. Any two (2) of the members of the Committee shall have the full authority and power to act for the Committee. In the event any of the said members of the Committee should die, resign, refuse to act, or become unable or ineligible to act, the remaining member or members shall have the authority to designate a successor. No member of the Committee or its designated representative(s), as herein defined, shall be entitled to any compensation for services performed pursuant to this Article. The Committee may, however, employ one or more architects, engineers, attorneys or other consultants to assist the Committee in carrying out its duties hereunder, and the Association shall pay such consultants for such services as they render to the Committee.

Section 2. Duties and Powers. The purpose of the Committee is to protect the environmental integrity of the Subdivision in accordance with the provisions of the Declaration. No building, fence, wall or other structure or improvement of any nature shall be placed, constructed, erected or maintained on any Lot; nor shall any exterior addition to or change or alteration therein be made until the construction plans and specifications shall have been submitted to and approved in writing by the Committee as to (a) conformity and harmony of external design and location in relation to surrounding structures and topography, and (b) quality of workmanship and materials. Any plans and specifications to be submitted shall specify, in such form as the Committee may reasonably require, the location upon the lot where the improvements are to be placed and the dimensions thereof as well as appropriate information concerning the structural, mechanical, electrical and plumbing details and the nature, kind, shape, height, color scheme and materials of the proposed improvements or alterations. The Committee shall also have the right, where not otherwise set forth herein, in the Declaration, or on the plat of the Subdivision referred to in Article II, Section 10 hereof, to specify:

- (a) Minimum setbacks;
- (b) The location, height and extent of fences, walls, or other screening devices;
- (c) The orientation of structures and landscaping on lots with respect to streets, walks and structures on adjacent properties; and
- (d) A limited number of acceptable exterior materials and/or finishes that may be used in the construction, alteration or repair of any improvement.

Section 3. Committee Approval. A majority of the Committee may designate one or more representatives with authority to grant the approval herein required. Any approval or disapproval by the Committee or its designated representative(s) on any of the above matters shall be in writing and either delivered in person or by certified mail, return receipt requested, postage prepaid. Such approval or disapproval shall be deemed to have been given when delivered in person or, if sent through the United States mail, when deposited in such mail. In the event said Committee or

its designated representative(s) fails to give approval or disapproval within thirty (30) days after said plans and specifications have been submitted to it, or if no plans and specifications have been submitted and (1) notice of disapproval of construction is not given in the manner specified for approvals or disapprovals of plan, and specifications within ninety (90) days after construction commences, and (2) no suit to enjoin construction or the making of alterations has been filed within ninety (90) days after the completion of construction or alterations, such approval of plans and specifications will not be required and this covenant shall be deemed to have been complied with; provided, however, the necessity for compliance with all the provisions of the Declaration other than the provisions of Article VI shall not be waived or affected by the Committee's failure to act, nor shall compliance with such Article VI with regard to other construction or alterations be waived or affected.

Section 4. Term. The duties and powers of the members of the Committee named in Section 1 of this Article and those persons named or appointed as their successors, assigns and designated representative(s) pursuant to Section 1, 2 and 3 of this Article, shall cease on and after January 1, 1983. Thereafter, the duties and powers of the Committee shall vest in the Board of Directors of the Association who shall serve as the Committee until such Board appoints three new members of the Committee. The submission and approval provisions of this Article and the duties and powers vested in the Committee and its successors shall continue so long as this Declaration of Covenants, Conditions and Restrictions remains in force and effect. Prior to January 1, 1983, the then current members of the Committee may voluntarily transfer all their duties and powers to the Board of Directors of the Association. To be effective, such a transfer shall be evidenced by a document executed by each of the then current members of the Committee. At such time as the Board appoints three new members of the Committee, the Committee shall cease to have the selfperpetuating powers granted in Section 1 of this Article and members of the Committee shall thereafter serve on the same terms and conditions as officers of the Association.

Article XI

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 XII

Assessments

Section 1. Obligation. Each Owner of each Lot within the Subdivision, by acceptance of a Deed therefor, whether or not it shall be express in the Deed or other evidence of the conveyance, is deemed to covenant and agree to pay the Association the following:

- (a) Annual assessments or charges;
 - (b) Special assessments for capital improvements;
- and
- (c) Any other sums to the extent they are specifically provided for in the Declaration.

Such assessments or charges are to be fixed, established and collected as provided hereinafter and in the Declaration. These charges and assessments, together with such interest thereon and cost of collection thereof, as hereinafter provided, shall be a charge on the land and shall be secured by a continuing Vendor's Lien upon the Lot against which such assessments or charges are made. Each such assessment or charge, together with such interest, costs, and reasonable attorney's fees shall also be and remain the personal obligation of the individual or individuals who owned the particular Lot at the time the assessment or charge fell due notwithstanding any subsequent transfer of title to such Lot. The personal obligation for delinquent assessments and charges shall not pass to successors in title unless expressly assumed by them.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the residents of the Subdivision. Without limiting the foregoing, the total assessments accumulated by the Association, insofar as the same may be sufficient, shall be applied toward the payment of all taxes, insurance premiums and repair, maintenance and acquisition expenses incurred by the Association and at the option of the

Board of Directors of the Association for any or all of the following purposes: lighting, improving and maintaining streets, alleyways, sidewalks, paths, parks, parkways, and esplanades in the Subdivision; collecting and disposing of garbage, ashes, rubbish and materials of a similar nature; payment of legal and all other expenses incurred in connection with the collection, enforcement and administration of all assessments and charges and in connection with the enforcement of the Declaration; employing policemen or watchmen and/or a security service; fogging and furnishing other general insecticide services; providing for the planting and upkeep of trees and shrubbery on esplanades and in any Common Area; acquiring and maintaining any amenities or recreational facilities that are or will be operated in whole or in part for the benefit of the Owners; and doing any other thing necessary or desirable in the opinion of the Board of Directors of the Association to keep and maintain the property in the Subdivision in neat and good order, or which they consider of general benefit to the Owners or occupants of the Subdivision, including the establishment and maintenance of a reserve for repair, maintenance, taxes, insurance, and other charges as specified herein. Such funds may also be used to repair, maintain and restore abandoned or neglected residences and Lots as hereinafter provided. It being understood that the judgment of the Board of Directors of the Association in establishing annual assessments, special assessments and other charges and in the expenditure of said funds shall be final and conclusive so long as said judgment is exercised in good faith.

Section 3. Basis and Maximum Level of Annual Assessments: Until January 1 of the year immediately following the conveyance of the first Lot from Declarant to an Owner, the maximum annual assessment shall be not more than One Hundred and No/100 Dollars (\$100.00) per Lot. From and after January 1 of the year immediately following the conveyance of the first Lot from Declarant to an Owner, the maximum annual assessment may, at the option of the Board of Directors, be automatically increased, effective January 1 of such year following the conveyance of the first Lot from Declarant to an Owner of each year thereafter, in conformance with the rise, if any, in the Consumer Price Index (published by the Department of Labor, Washington, D.C.) for the twelve month period ending with the last day of the preceding June or alternatively, by an amount equal to a ten percent (10%) increase over the prior year's maximum annual assessment, whichever is greater, without a vote of the Members of the Association. If the Consumer Price Index shall cease to be published, the rise

for the period stated above in the successor or if there is no successor, comparable Index or statistics published by the United States Government shall be used for making the calculation described in the preceding sentence. From and after January 1 of the year immediately following the conveyance of the first Lot by Declarant to an Owner, the maximum annual assessment may be increased above that established by the Consumer Price Index formula or the above-mentioned percentage increase only by written approval of the Members holding two-thirds (2/3) of all membership votes entitled to be cast in each membership class that is entitled to vote at the time the action is taken. This increase shall become effective on January 1 of the year following the year in which such approval is obtained. After consideration of current maintenance costs and future needs of the Association, the Board of Directors may fix the annual assessment at an amount not in excess of the maximum amount approved by the Owners.

Section 4. Special Assessments for Capital Improvements:
In addition to the annual assessment authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, equipment or unexpected repair in the Subdivision or any Common Area including the necessary fixtures and personal property related thereto, provided that any such assessment shall have the written approval of the Members holding two-thirds (2/3) of all membership votes entitled to be cast in each membership class that is entitled to vote.

Section 5. Notice of Quorum for Any Action Authorized Under Sections 3 and 4. Written notice of any meeting of the Members of the Association called for the purpose of taking any action authorized under Section 3 or 4 of this Article shall be sent to all Members not less than ten (10) days nor more than fifty (50) days in advance of the meeting. At any such meeting called, the presence of the Members holding two-thirds (2/3) of all membership votes entitled to be cast in each membership class that is entitled to vote at the time of such meeting or their proxies shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice and quorum requirements. In lieu of such a meeting and notice, a door-to-door canvass may be used to get the required written approval of the Owners as hereinafter provided.

Section 6. Rates of Assessment. Any annual and special assessments and other charges authorized by the Declaration shall be assessed against all Lots, whether or not owned by the Declarant, and must be fixed at uniform rates as follows:

(a) Occupied Lots: Those Lots containing an Occupied Living Unit shall be assessed or charged the full assessment or charge as set by the Board of Directors of the Association;

(b) Completed Lots: Those Lots containing a substantially completed but unoccupied Living Unit, shall be assessed or charged fifty percent (50%) of the full assessment or charge as set by the Board of Directors of the Association; and

(c) Vacant Lots: Those Lots which are vacant or upon which a residence is under construction shall be assessed or charged at a rate equal to fifty percent (50%) of the full assessment or charge as set by the Board of Directors of the Association. If such Owner fails to maintain said Lot, the Association is hereby authorized to do so and any expense the Association incurs thereby shall become a lien on the Lot and the general personal obligation of said Owner.

The determination of which of the three above categories a lot is in shall be determined as of January 1 of each calendar year and shall not change during that calendar year.

Section 7. Date of Commencement and Determination of Annual Assessment: The annual assessment provided for herein shall commence as to all Lots on the first day of the month following the decision of the Board of Directors to establish same pursuant to Article XII, Section 3. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. On or before the 30th day of November in each year, the Board of Directors of the Association shall determine whether such annual assessment should continue to be levied against each Lot in the next calendar year. If it is determined by the Board of Directors of the Association that continuance of such assessment is warranted, written notice of the figure at which the Board of Directors of the Association has set the annual assessment for the next calendar year shall be sent to every Owner whose Lot is subject to the payment thereof. Assessments shall be

due and payable monthly or as directed by the Board of Directors of the Association. The Association shall, upon demand, and for reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a particular Lot is binding upon the Association as of the date of its issuance.

Section 8. Effect of Nonpayment of Assessments; Remedies of the Association: Any assessments or charges which are not paid when due shall be delinquent. If an assessment or charge is not paid within thirty (30) days after the due date, it shall bear interest from the due date at the rate of ten per cent (10%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien herein retained against the Lot. Interest, costs and reasonable attorney's fees incurred in any such action shall be added to the amount of such assessment or charge. Each such Owner, by his acceptance of a Deed to a Lot, hereby expressly vests in the Association or its agents, the right and power to bring all actions against such Owner personally for the collection of such assessments and charges as a debt 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. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of any Common Area or abandonment of his Lot.

Section 9. Subordination of the Lien to Mortgages: As hereinabove provided, the title to each Lot shall be subject to the Vendor's Lien securing the payment of all assessments and charges due the Association, but this Vendor's Lien shall be subordinate to any valid purchase money lien or mortgage covering a Lot. Sale or transfer of any Lot shall not affect this Vendor's Lien. However, the sale or transfer of any Lot which is subject to any valid purchase money lien or mortgage, pursuant to a judicial or non-judicial foreclosure under such lien or mortgage shall extinguish the Vendor's Lien securing such assessment or charge as to payments which become due prior to such sale or transfer. No sale or transfer shall relieve such Lot or the Owner thereof from liability for any charges or assessments thereafter becoming due

or from the lien thereof. In addition to the automatic subordination provided hereinabove, the Association, in the discretion of the Board of Directors, may subordinate the lien securing any assessment provided for herein to any non-purchase money mortgage, lien or encumbrance, subject to such limitations, if any, as such Board may determine.

Section 10. Exempt Property: All properties dedicated to, and accepted by, a local public authority and all properties owned by a charitable or nonprofit organization exempt from taxation by the laws of the State of Texas shall be exempt from the assessments and charges created in the Declaration or herein. Notwithstanding the foregoing, no Lot which is used as a residence shall be exempt from said assessments and charges.

Article XIII

Exterior Maintenance

In the event any Owner of any Lot in the Subdivision fails to maintain the Lot and the improvements situated thereon in a manner satisfactory to the Board of Directors of the Association, the Association, after seven (7) days notice to the Owner of said Lot, setting forth the action intended to be taken by the Association and after approval by a two-thirds (2/3) vote of the Board of Directors, shall have the right (but not the obligation) through its agents and employees, to enter upon said Lot and to repair, maintain and restore the Lot and the exterior of the buildings and any other improvements located thereon. To the extent necessary to prevent rat infestation, diminish fire hazards and accomplish any of the above needed repair, maintenance and restoration, the Association shall have the right (but not the obligation), through its agents and employees, to enter any residence or improvement located upon such Lot. Neither the Association nor its agents or employees shall be liable, and are expressly relieved from any liability for trespass or other tort in connection with the performance of the exterior maintenance and other work authorized in this Article. The cost of such exterior maintenance and other work shall be the personal obligation of the Owner of the Lot on which it was performed and shall become a part of the assessment payable by said Owner and secured by the liens herein retained.

Article XIV .

Corporate Seal

The Association shall have a seal in circular form having within its circumference the words: SHEPHERD TRACE HOMEOWNERS ASSOCIATION, INC.

Article XV .

Amendments

Section 1. These By-Laws may be amended, at a regular or special meeting of the members, by a vote of a two-thirds (2/3) majority of a quorum of members entitled to vote at the time of such meeting present in person or by proxy; provided, however, that no amendment shall be effective if it conflicts with the provisions of the Declaration.

Section 2. 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, the Articles of Incorporation or these By-Laws, the Declaration shall control.

Article XVI

Miscellaneous

Section 1. Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

ADOPTED: 12-31-83


SECRETARY

As Amended December, 1983