

**BY-LAWS
OF THE
VISTA HILLS COMMUNITY ASSOCIATION, INC.**

After Recording Return To:

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**BY-LAWS OF
VISTA HILLS COMMUNITY ASSOCIATION, INC.**

ARTICLE I. NAME, PRINCIPAL OFFICE, AND DEFINITIONS

A. Name

The name of the Association shall be Vista Hills Community Association, Inc. (hereinafter sometimes referred to as the "Association").

B. Principal Office

The principal office of the Association shall be located in Grimes County.

C. Definitions

The words used in these By-Laws shall have the same meaning as set forth in that Declaration of Covenants Conditions and Restrictions for Vista Hills recorded in the Grimes County, Texas public records under Clerk's File No. 192159 (said Declaration, as amended, renewed, or extended from time to time, is hereinafter sometimes referred to as the "Declaration").

D. Property

The property affected by these By-Laws is the property described on the first recorded plat for Vista Hills recorded on the 24th day of May, 2004, under Clerk's File No. 192074 in the Map Records of Grimes County, Texas, and any other subdivisions which are subsequently annexed and made subject to the authority of the Association.

**ARTICLE II. ASSOCIATION: MEMBERSHIP, MEETINGS, QUORUM,
VOTING, PROXIES**

A. Membership

The Association shall have two (2) classes of membership, Class "A" and Class "B", as more fully set forth in the Declaration and specifically incorporated herein by reference.

B. Place of Meetings

Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as may be designated by the Board of Directors.

C. Annual Meetings

The first meeting of the Association, whether a regular or special meeting, shall be held on or before December 31, 2005. Subsequent regular annual meetings shall be set by the Board. Directors to be elected by the membership shall be elected at the annual meeting.

D. Special Meetings

The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting of the Association if so directed by resolution of a majority of a quorum of the Board of Directors or upon a petition signed by Members representing at least ten percent (10%) of the total Class "A" votes of the Association. The notice of any special meeting shall state the date, time, and place of such meeting and the purpose thereof.

E. Notice of Meetings

Written or printed notice stating the place, day, and hour of any meeting of the Association shall be delivered, either personally or by mail, fax or other electronic media, to each Member entitled to vote at such meeting, not less than ten (10) nor more than fifty (50) days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting. Such notice must contain a description of the topics or issues to be discussed.

Notice to a Member by email or facsimile must be sent to the email address or facsimile number provided for the Association by the Member. If mailed, the notice of meeting shall be deemed to be delivered as of the date and time shown on a confirmation that the email was opened. If faxed, the notice of meeting shall be deemed to be delivered as of the date and time shown on a written confirmation that the facsimile was successfully transmitted. For any given meeting, the Association may use any combination of the alternative methods for providing notice to the Members.

For the purpose of determining the Members entitled to notice of a meeting, the membership of the Association shall be determined on the date the notice of meeting is first given.

In the case of a special meeting or when required by statute or these By-Laws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail first class postage pre-paid addressed to the Member at his or her address as it appears on the records of the Association, with postage thereon prepaid. One notice, addressed to multiple Members at the same address, shall suffice if more than one (1) Member resides at any address.

F. Waiver of Notice

Waiver of notice of a meeting of the Association shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Association, either before or after such meeting. Attendance at a meeting by a Member, either in person or by proxy, shall be deemed waiver by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice in writing at the time the meeting is called to order. Further, casting a vote by a Member on any issue to be voted upon at the meeting by any technological means authorized in these By-Laws shall be deemed a waiver

by such Member of notice of the meeting. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted thereat unless objection to the calling or convening of the meeting, of which proper notice was not given, is raised in writing before the business is put to a vote.

G. Adjournment of Meetings

If any meeting of the Association cannot be held because a quorum is not present, either in person or by proxy, the presiding officer or a majority of the Members who are present at such meeting, in person [or by proxy], may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business that might have been transacted at the meeting originally called may be transacted. All votes cast by Members prior to the originally called meeting by proxy or by any technological means authorized in these By-Laws on issues to be considered at the meeting shall be valid and may be counted at the reconvened meeting at which a quorum is present; provided that, a Member who cast a vote on an issue by proxy or by any technological means authorized in these By-Laws may change that Member's vote at any time prior to the time that a call for a vote on the issue is made at the reconvened meeting at which a quorum is present. A Member may change his vote by attending the reconvened meeting in person, submitting a proxy at the reconvened meeting which either directs or authorizes the proxy holder to vote in a different manner, or changing the Member's vote by any technological means for voting authorized in these By-Laws. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Members in the manner prescribed for regular meetings.

H. Voting

The voting rights of the Members shall be as set forth in the Declaration, and such voting rights provisions are specifically incorporated herein. Each Member may vote in person or by proxy appointed by instrument in writing and subscribed by the Member or by the duly authorized attorney of such Member. Facsimile proxies shall be valid. Electronic voting shall be valid pursuant to rules and regulations promulgated by the Board. At all meetings of Members, all questions, except those the manner of which is otherwise expressly governed by statute, the charter of the Association or by the Bylaws, shall be decided by the vote of a majority of the Members of the Association present in person or by proxy and entitled to vote, a quorum being present. All voting shall be via voice, except that, upon the determination of the presiding officer of any meeting or upon demand of a majority of Members present or their proxies, voting on any issues remaining on the agenda at any meeting shall be by ballot. Each ballot shall be signed by the Member voting or by his proxy. At the option of the Board of Directors, any vote may be taken by mail ballot, or any combination of mail, proxy or in person. Mail ballots may be counted toward a proxy of Members present (as if in attendance at a meeting).

I. Majority

As used in these By-Laws, the term "majority" shall mean those votes, owners, or other group as the context may indicate totaling more than fifty (50%) percent of the total eligible number.

J. Quorum

Except as otherwise provided in these By-Laws or in the Declaration, the presence in person of Owners representing twenty-five percent (25%) of the total eligible votes in the Association shall constitute a quorum at all meetings of the Association.

The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment. In the event, however, a sufficient number of Members leave less than a quorum at such meeting, business may continue to be conducted provided that (i) at least ten percent (10%) of the total votes of the Association remains present in person and/or by proxy; and, (ii) any action taken shall be approved by at least a majority of the Members required to constitute a quorum.

K. Conduct of Meetings

The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting and all transactions occurring at the meeting.

L. Action Without a Meeting

Any action required by law to be taken at a meeting of the Association or any action that may be taken at a meeting of the Association, may be taken without a meeting if written consent setting forth the action so taken is signed by Members holding the number of votes necessary to pass a proposition concerning the subject matter thereof, and any such consent shall have the same force and effect as a unanimous vote of the Members.

M. Proxies and Absentee Ballots

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 before the appointed time of each meeting or by any earlier date or time specified in the notice of meeting. Every proxy shall be revocable and shall automatically cease upon (i) conveyance by the Member of the Member's interest in the property; (ii) receipt of notice by the Secretary of the death or judicially declared incompetence of a Member; (iii) receipt of written revocation; or, (iv) expiration of eleven (11) months from the date of the proxy. In the case of a Member's execution of more than one proxy, the proxy with the most current date shall be valid. Proxies not delivered prior to the start of any meeting or by any earlier date or time, if specified in the notice of meeting, shall not be valid.

To the extent permitted by law, a Member may vote on any issue to be voted upon by the Members under these By-Laws by absentee ballot that is delivered or mailed to the Association or transmitted to the Association by facsimile or by electronic communication over the Internet

or the Association network. To be valid, any vote cast by a Member by any of the alternative means must be received by the Association by the date and time specified in the notice of meeting or, if no date and time is specified in the notice of meeting, by midnight of the day before the date of the scheduled meeting. The mechanism for voting by electronic communication must provide a sufficient method of identifying the Member and verifying the Member's vote. Any requirement imposed by the Articles of Incorporation or By-Laws or by applicable law for a signature on any such absentee ballot shall be satisfied by a digital signature otherwise meeting the requirements of such documents or applicable law.

ARTICLE III. BOARD OF DIRECTORS: NUMBER, POWERS, MEETINGS

A. Composition and Selection

Section 1. Governing Body; Composition

The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one (1) vote. After Class "B" Membership ceases to exist, all directors must be Members. However, so long as Class "B" Membership exists, Board members are not required to be Members. In the case of a Member that is a corporation or partnership, the person designated in writing by either proxy or a resolution to the Secretary of the Association as the representative of such corporation or partnership shall be eligible to serve as a director.

Section 2. Directors During Class "B" Membership Existence

(a) During the existence of Class "B" Membership, directors shall be appointed pursuant to Article IV, Section (C)(2) of the Declaration, as incorporated herein by reference.

(b) Except for directors selected by the Class "B" Member, directors shall be elected by a majority vote of the Members.

(c) Election of directors by the Class "A" Membership may be by any mail ballot, by vote of a majority of the Members in person or by proxy at a properly called meeting at which a quorum is present, or by any combination of the same.

Section 3. Right To Disapprove Actions

This Section 3 may not be amended without the express, written consent of the Class "B" Membership as long as the Class "B" Membership exists.

So long as the Class "B" Membership exists, the Class "B" Member shall have a right to disapprove actions of the Board and any committee, as is more fully provided in this Section. This right shall be exercisable only by the Class "B" Member, its successors, and assigns who specifically take this power in a recorded instrument. The right to disapprove shall be as follows:

No action authorized by the Board of Directors of a Board elected by the Members, or any committee shall become effective, nor shall any action, policy, or program be implemented until and unless:

(a) The Class "B" Member shall have been given written notice of all meetings and proposed actions approved at meetings of the Board or any committee thereof by certified mail, return receipt requested, or by personal delivery at the address the Class "B" Member has registered with the Secretary of the Association, as it may change from time to time; and

(b) The Class "B" Member shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program to be implemented by the Board or the Association. The Class "B" Member, its representative or agents shall make its concerns, thoughts, and suggestions known to the members of the Board. The Class "B" Member shall have and is hereby granted a right to disapprove any such action, policy, or program authorized by the Board of Directors and to be taken by the Board, the Association, or any individual Member of the Association, if Board, or Association approval is necessary for such action. This right may be exercised by the Class "B" Member, its representatives, or agents at any time within ten (10) days following the meeting held pursuant to the terms and provisions hereof. The Class "B" Member shall not use its right to disapprove to reduce the level of services that the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

Section 4. Number of Directors

The number of directors in the Association shall be not less than three (3) nor more than seven (7), as provided in Section 6 below. The initial Board shall consist of three (3) members as identified in the Articles of Incorporation. After Class "B" membership ceases, the elected directors must be Members of the Association.

Section 5. Term of Office of Directors

The term of office of each Director shall be for two (2) years from the date of their election or appointment.

At the first annual meeting following: (1) the sale of one hundred percent (100%) of the platted lots; (2) the Declarant releasing its status as a Class B Member and its authority to appoint all members of the Board of Directors as evidenced by an instrument recorded in the Real Property Records of Grimes County; or (3) or January 1, 2029, whichever occurs first, the Members shall elect one (1) director for a term of one (1) year, one (1) director for a term of two (2) years and one (1) director for a term of three (3) years and at annual meetings thereafter, the Members shall elect directors for two-year terms.

In the event the number of directors increases as provided for in Section 4, at no time shall more than one-third (1/3) of the total number of Directors be added to the same elected term.

Section 6. Nomination of Directors

Except for directors selected by the Class "B" Member, nominations for election to the Board of Directors after the control period/initial term shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and three (3) or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting of the Members to serve a term of one (1) year or until their successors are appointed, and such appointment shall be announced at each such 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 in no event less than the number of positions to be filled.

Section 7. Removal of Directors and Vacancies

Any vacancy created during the term of a Board member may be filled by the remaining directors.

Any director elected by the Members may be removed, with or without cause, by the vote of Members holding a majority of the votes entitled to be cast for the election of such director. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. A director who was elected at large solely by the votes of Members other than the Declarant may be removed from office prior to the expiration of his or her term only by the votes of a majority of Members other than the Declarant. Upon removal of a director, a successor shall then and there be elected by the Members entitled to elect the director so removed to fill the vacancy for the remainder of the term of such director.

Any director elected by the Members who has three (3) consecutive unexcused absences from Board meetings or who is delinquent in the payment of any assessment or other charge due the Association or not in compliance with the recorded restrictions for more than thirty (30) days may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and a successor may be appointed by the Board to fill the vacancy for the remainder of the term. In the event of the death, disability, or resignation of a director, a vacancy may be declared by the Board, and it may appoint a successor.

Any director appointed by the Class "B" Member may only be removed by a vote of the Board.

B. Meetings

Section 1. Organizational Meetings

The first meeting of the Board of Directors following each annual meeting of the Membership shall be held within sixty (60) days thereafter at such time and place as shall be fixed by the Board.

Section 2. Regular Meetings

Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the directors, but at least one (1) such meeting shall be held during each fiscal year. Notice of the time and place of the meeting shall be communicated to the directors not less than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

Alternatively, the Board of Directors may schedule a regular meeting date, place and time and, after forwarding notice of the same, shall not have the obligation to give future notices until a change is made.

Section 3. Special Meetings

Special meetings of the Board of Directors shall be held when called by written notice issued at the request of the President of the Association or by written resolution of a majority of a quorum of the Board of Directors. The notice shall specify the time and place of the meeting. The notice shall be given to each director by one of the following methods: (a) by personal delivery; (b) written notice by first class mail, postage prepaid; (c) by telephone communication, facsimile or other such communication methods, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (d) by telegram, charges prepaid. All such notices shall be given at the director's telephone number or sent to the director's address as shown on the records of the Association. Notices sent by first-class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least seventy-two (72) hours before the time set for the meeting.

Section 4. Waiver of Notice

The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting in writing before or at its commencement about the lack of adequate notice.

Section 5. Quorum of Board of Directors

At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors who are present at such meeting may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the date the original meeting was called. At the

reconvened meeting, if a quorum is present, any business that might have been transacted at the meeting originally called may be transacted without further notice.

Section 6. Compensation

No director shall receive any compensation from the Association for acting as such unless approved by Members representing a majority of the total Class "A" votes of the Association at a regular or special meeting of the Association; provided, however, that a director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors.

Section 7. Conduct of Meetings

The President shall preside over all meetings of the Board of Directors, and the Secretary shall keep a minute book of meetings of the Board of Directors, recording therein all resolutions adopted by the Board of Directors and all transactions and proceedings occurring at such meetings.

Section 8. Open Meetings

Subject to the provisions of Section B(9) or (10) of this Article, all meetings of the Board may be open to all Members, but Members other than directors may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a director. In such case, the President may limit the time any Member may speak. Notwithstanding the above, the President may adjourn any meeting of the Board of Directors and reconvene in executive session, excluding Members, to discuss or vote on matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc.

Section 9. Action Without a Formal Meeting

Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if consent in writing, setting forth the action so taken, shall be signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

Section 10. Executive Session

The Board of Directors may close a portion of its meetings for the purpose of discussing items which require confidentiality, matters involving the personal accounts of Lot Owners, matters currently in litigation and other matters that the Board, in its discretion, considers to be of a sensitive nature.

C. Powers and Duties

Section 1. Powers

The Board of Directors shall be responsible for the affairs of the Association and shall have all of the powers and duties necessary for the administration of the Association's affairs.

The Board of Directors shall delegate to one (1) or more of its members the authority to act on behalf of the Board of Directors on all matters relating to the duties of the managing agent or manager, if any, that might arise between meetings of the Board of Directors.

In addition to the duties imposed by these By-Laws, Texas law or by any resolution of the Association that may hereafter be adopted, the Board of Directors shall have the power to establish policies relating to, and shall be responsible for performing or causing to be performed, the following, in way of explanation, but not limitation:

- (a) preparing and adopting of annual budgets;
- (b) making assessments, establishing the means and methods of collecting such assessments, and establishing the payment schedule for Special Assessments;
- (c) collecting the assessments, depositing the proceeds thereof in a bank depository that it shall approve, and using the proceeds to operate the Association; provided, any reserve fund may be deposited, in the directors' best business judgment, in depositories other than banks;
- (d) providing for the operation, care, upkeep and maintenance of all Common Areas, including entering into a contract to provide for such operation, care, upkeep and maintenance;
- (e) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Areas in accordance with the other provisions of the Declaration and these By-Laws after damage or destruction by fire or other casualty;
- (f) designating, hiring, and dismissing the personnel necessary for the operation of the Association and the maintenance, operation, repair, and replacement of its Property and the Common Areas and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;
- (g) making and amending rules and regulations and promulgating, implementing and collecting fines for violations of the rules and regulations;
- (h) opening of bank accounts on behalf of the Association and designating the signatories required;
- (i) enforcing by legal means the provisions of the Declaration, including the provisions concerning architectural control, these By-Laws, and the rules and regulations adopted by the Association and bringing any proceedings that may be instituted on behalf of or against the Owners concerning the Association;
- (j) obtaining and carrying insurance against casualties and liabilities with policy limits, coverage and deductibles as deemed reasonable by the Board of Directors and paying the premium cost thereof;

(k) paying the cost of all services rendered to the Association or its Members and not chargeable directly to specific Owners;

(l) keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred;

(m) maintaining a membership register reflecting, in alphabetical order, the names, Property addresses and mailing addresses of all Members;

(n) making available upon request to any prospective purchaser, any Owner, any first Mortgagee, and the holders, insurers, and guarantors of a first Mortgage on any Property, for any proper purpose during normal business hours by advance appointment, copies of the Declaration, the Articles of Incorporation, the By-Laws, rules governing such Property and all other books, records, and financial statements of the Association for a reasonable charge; and making copies thereof available for a reasonable charge; and

(o) permitting utility suppliers to use portions of the Common Areas reasonably necessary to the ongoing development or operation of the Property.

Section 2. Management

The Board of Directors may employ for the Association a professional management agent or agents at a compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall authorize. The Board of Directors may delegate to the managing agent or manager, subject to the Board's supervision, all of the powers granted to the Board of Directors by these By-Laws, other than the powers set forth in subparagraphs (b), (f), (g), and (i) of Section C(1) of this Article.

Section 3. Accounts and Reports

The following management standards of performance will be followed unless the Board by resolution specifically determines otherwise:

(a) Accrual or cash accounting, as defined by generally accepted accounting principles, shall be employed.

(b) Accounting and controls should conform to generally accepted accounting principles.

(c) Cash accounts of the Association shall not be commingled with any other accounts.

(d) No remuneration without full disclosure and prior agreement of the Board of Directors, or as contained in a written management contract, shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service

fees, prizes, gifts, or otherwise; anything of value received shall benefit the Association.

(e) Any financial or other interest that any director, or the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors.

(f) Commencing at the end of the month in which the first Lot is sold and closed, financial reports shall be prepared for the Association monthly containing:

(i) an income statement reflecting all income and expense activity for the preceding period on an accrual or cash basis;

(ii) a statement reflecting all cash receipts and disbursements for the preceding period;

(iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;

(iv) a balance sheet as of the last day of the preceding period; and

(v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments that remain delinquent.

(g) An annual report consisting of at least the following shall be made available at the annual meeting of Members to all Members within one hundred twenty (120) days after the close of the fiscal year: (1) a balance sheet; (2) an operating (income) statement; and (3) a statement of changes in financial position for the fiscal year. The annual report referred to above may be prepared on an audited or reviewed basis, as determined by the Board, by an independent public accountant.

Section 4. Borrowing

The Board of Directors shall have the power to borrow money for the purpose of maintenance, repair or restoration of the Common Areas or for any other proper purpose without the approval of the Members of the Association.

Section 5. Rights of the Association

With respect to the Common Areas and in accordance with the Articles of Incorporation and the Declaration, the Association shall have the right to contract with any person or entity for the performance of various duties and functions. Without limiting the foregoing, this right shall

entitle the Association to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or other Neighborhood owner or resident associations, both within and without the Property. Such agreements shall require the consent of a majority of the total number of directors of the Association.

The Association shall not be bound, either directly or indirectly, by any contract, lease, or other agreement (including any management contract) executed during the existence of Class "B" Membership unless such contract, lease or other agreement contains a right of termination exercisable by either party without penalty at any time, with or without cause.

Section 6. Enforcement

After notice and an opportunity to be heard, if same is required by law, the Board shall have the power to impose reasonable fines, which shall constitute a lien upon the property of the violating Owner, and to suspend an Owner's right to vote or any person's right to use the Common Areas for violation of any duty imposed under the Declaration, these By-Laws, or any rules and regulations duly adopted by the Association; provided, however, nothing herein shall authorize the Association or the Board of Directors to limit ingress and egress to or from a Lot. In addition, the Association shall be entitled to suspend any services provided by the Association to a Lot in the event that the Owners of such Lot is more than thirty (30) days delinquent in paying any assessment due to the Association. In the event that an occupant, guest or invitee of a Lot Owner violates the Declaration, By-Laws, or a rule or regulation and a fine is imposed, the fine shall first be assessed against the occupant and/or owner; provided, however, if the fine is not paid by the occupant within the time period set by the Board, the Owner shall pay the fine upon notice from the Association. The failure of the Board to enforce any provision of the Declaration, By-Laws, or any rule or regulation shall not be deemed a waiver of the right of the Board to do so thereafter.

As provided in the Declaration, each Owner is obligated to pay to the Association certain charges and Assessments, including such charges and Assessments as may be included, from time to time, by amendment to the Declaration. All costs, expenses, and fees charged to, or paid by, the Association in collecting, or attempting to collect, such charges and Assessments, as well as interest as specified in the Declaration, shall be assessed against the Owner and the Lot, and shall become part of the Assessments due on the Lot. Likewise, all costs, expenses, and fees incurred by the Association in rectifying, or attempting to rectify, a violation of the Declaration shall be assessed against the Owner and the Lot, and shall become part of the Assessments due on the Lot. Such costs, expenses, and fees include, but are not limited to:

- (a) actual expenses, including attorney fees and court costs;
- (b) a Late Processing Fee may be set annually by the Board of Directors, which may be assessed for any account that has an unpaid balance on or after thirty (30) days after due date, as an inducement to pay on time and to offset administrative costs and expenses incurred in the collection process;

(c) a Dishonored-Check Processing Fee, set by the Board of Directors, which may be assessed for any payment check dishonored by the bank, to offset the additional processing cost incurred;

(d) a Partial Payment Processing Fee, set by the Board of Directors, which may be assessed if any payment for less than the full amount due at the time payment is made, to offset the additional processing costs incurred;

(e) a Transfer Fee which may be assessed for the transfer of ownership of any Lot, including by foreclosure, to offset the administrative costs and expenses associated with (1) quoting, verbally or in writing, the status of the Assessments and other charges due on the Lot, (2) tracking, researching, and determining or attempting to determine ownership, (3) updating the books and records of the Association to reflect the transfer, and (4) preparing and mailing introductory information regarding the subdivision, the Association, and/or the covenants, conditions, restrictions, rules, and regulations applicable to the new owner; and

(f) a Refinance Fee which may be assessed for the refinance of any Lot, to offset the administrative costs and expenses associated with quoting the status of the Assessments and other charges due on the Lot and updating the books and records of the Association.

(g) a reasonable fee to assemble, copy, deliver and update a Resale Certificate.

Any such Assessment or charge that is not paid when due shall be delinquent.

Notwithstanding anything to the contrary herein contained, the Association, acting through the Board of Directors, may elect to enforce any provision of the Declaration, these By-Laws, or the rules and regulations of the Association by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations and perform exterior maintenance) or by suit at law or in equity to enjoin any violation or to recover monetary damages or both without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, fines, costs to repair, including reasonable attorneys' fees actually incurred.

ARTICLE IV. OFFICERS

A. Officers

The officers of the Association shall be a President, Vice President, Secretary, and Treasurer, to be elected from among the members of the Board. The Board of Directors may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed from time to time by the Board of Directors. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

B. Election, Term of Office and Vacancies

The officers of the Association shall be elected annually by the Board of Directors at the first meeting of the Board of Directors following each annual meeting of the Members. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

C. Removal

Any officer may be removed from office, but not as a director of the Board, with or without cause, by a majority vote of the Board of Directors whenever in its judgment the best interests of the Association will be served thereby.

D. Powers and Duties

The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time specifically be conferred or imposed by the Board of Directors. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

E. Resignation

Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of the 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.

F. Agreements, Contracts, Deeds, Leases, Checks, Etc.

All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two (2) officers or such other person or persons as may be designated by resolution of the Board of Directors.

ARTICLE V. COMMITTEES

The Board of Directors is hereby authorized to establish committees to perform such tasks and to serve for such periods as may be designated by a resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Each committee established by the Board shall operate in accordance with the terms of the resolution of the Board of Directors designating the committee and in accordance with such rules as are adopted by the Board of Directors. All committees of the Association shall be vested with advisory powers only and is not authorized to act on behalf of the Association.

ARTICLE VI. MISCELLANEOUS

A. Fiscal Year

The fiscal year of the Association shall be January 1st to December 31st of each year.

B. Parliamentary Rules

Except as may be modified by Board resolution, Robert's Rules of Order (current edition) may govern the conduct of Association proceedings when not in conflict with Texas law, the Articles of Incorporation, the Declaration, or these By-Laws.

C. Conflicts

If there are conflicts between the provisions of Texas law, the Articles of Incorporation, the Declaration, and/or these By-Laws, then the provisions of Texas law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

D. Books and Records

1. Inspection by Members and Mortgagees

The Declaration, By-Laws, and Articles of Incorporation, any amendments to the foregoing, the rules and regulations of the Association, the membership register, books of account, and the minutes of meetings of the Members, Members; the Board, and committees shall be made available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Lot, Member of the Association, or by the duly appointed representative of any of the foregoing at any reasonable time and for a proper purpose during normal business hours at the office of the Association or at such other place within the Property as the Board shall prescribe, by appointment.

2. Rules for Inspection

The Board may establish reasonable rules with respect to:

- (i) notice to be given to the custodian of records;
- (ii) hours and days of the week when such an inspection may be made by appointment for a proper purpose; and
- (iii) payment of the cost of reproducing copies of documents requested.

3. Inspection by Directors

Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical Property owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the expense of the Association.

E. Notices

Unless otherwise provided in these By-Laws, all notices, demands, bills, statements, or other communications under these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States Mail, first-class postage pre-paid:

(a) if to a Member at the address that the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Lot of such Member; or

(b) if to the Association, the Board of Directors, or the managing agent, at the principal office of the Association or the managing agent, if any, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

F. Amendment

These By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of a majority of the Board of Directors and the consent of the Class "B" Members, so long as such membership exists, or by two-thirds (2/3) of the combined Class "A" and Class "B" votes of the Association present, in person or by proxy, at any regular or special meeting. Notwithstanding the above, the percentage of votes or other approval necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

No amendment may remove, revoke, or modify any right or privilege of Declarant without the written consent of Declarant or the assignee of such right or privilege.

G. Indemnity

To the fullest extent permitted by applicable law, Association shall and does hereby agree to indemnify, protect, hold harmless and defend its officers, directors, and committee members, hereinafter referred to as "Indemnitees" from and against all claims, demands, damages, injuries, losses, liens, causes of action, suits, judgments, penalties, liabilities, debts, costs and expenses, including court costs and attorneys' fees (collectively, "Liabilities"), of any nature, kind or description, whether arising out of contract, tort, strict liability, misrepresentation, violation of applicable law and/or any cause whatsoever (including without limitation, claims for injuries to or death of any person, or damages to or loss of any property) of any person or entity directly or indirectly arising out of, caused by, in connection with, or resulting from any act or omission of any of the Indemnitees; provided, however, that the Association shall not indemnify the Indemnitees for any Liabilities arising as a result of the gross negligence or willful misconduct of Indemnitees. **THE OBLIGATIONS OF THE ASSOCIATION UNDER THIS SECTION SHALL APPLY TO LIABILITIES EVEN IF SUCH LIABILITIES ARE CAUSED IN WHOLE OR IN PART BY THE SOLE, JOINT OR CONCURRENT NEGLIGENCE, FAULT OR STRICT LIABILITY OF ANY INDEMNITEE AND WHETHER OR NOT SUCH SOLE OR CONCURRENT NEGLIGENCE, FAULT OR STRICT LIABILITY WAS ACTIVE OR PASSIVE.**

The Indemnitees shall promptly advise the Association in writing of any action, administrative or legal proceeding or investigation as to which indemnification may apply, and

Association, at Association's expense, shall assume on behalf of Indemnitees and conduct with due diligence and in good faith the defense thereof with competent trial counsel, provided, however, that Indemnitees shall have the right, at their own option, to be represented therein by advisory counsel of their own selection and at their own expense.

In the event of the failure by Association to fully perform its obligations in accordance with this Section, Indemnitees, at their option, and without relieving Association of its obligations hereunder, may so perform, but all costs and expenses so incurred by Indemnitees in that event shall be reimbursed by the Association to Indemnitees, together with interest, on the same from the date any such expense was paid by Indemnitees until reimbursed by the Association, at the highest lawful rate of interest allowed under applicable usury laws of the State of Texas (or if no maximum rate is applicable, at the rate of eighteen percent (18%) per annum). The indemnification shall not be limited to damages, compensation or benefits payable under insurance policies. It is agreed with respect to any legal limitations now or hereafter in effect and affecting the validity or enforceability of the indemnification obligations under this Section, such legal limitations are made a part of indemnification obligations and shall operate to amend the indemnification obligations to the minimum extent necessary to bring the provisions into conformity with the requirements of such limitations, and as so modified, the indemnification obligations shall continue in full force and effect.

H. Business Judgment Rule

Any act or thing done by any Director, Officer, or Committee Member taken in furtherance of the purposes of the corporation, and accomplished in conformity with the procedures set forth in the Declaration, Articles of Incorporation, the laws of the State of Texas, and/or these By-laws, shall be reviewed under the standard of the Business Judgment Rule as established by the common law of Texas, and such act or thing done shall not be a breach of duty on the part of the Director, Officer, or Committee Member if they have been done within the exercise of their discretion and judgment.

The Business Judgment Rule means that a court shall not substitute its judgment for that of the Director, Officer or committee Member. A court shall not re-examine the quality of the decisions made by the Director, Officer, or Committee Member by determining the reasonableness of the decision as long as the decision is made in good faith in what the Director, Officer, or Committee Member believes to be the best interest of the corporation.

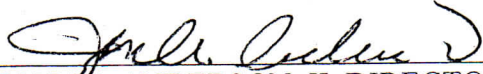
I. Owner Conflict

If an Owner is involved in litigation with the Association as to a conflict of interpretation of the Declaration of Covenants, Conditions and Restrictions for Vista Hills, the Articles of Incorporation for the Vista Hills Community Association, rules and regulations promulgated by the Association, or these By-Laws, and/or the amount of delinquent assessments, that Owner may not participate in any Association meeting or activity.

J. Dissolution

The corporation may be dissolved pursuant to Article 1396-6.01 of the Texas Non-profit Corporation Act, or its successor statute. If the corporation is dissolved, the assets shall be dedicated to a public body or conveyed to a non-profit corporation with similar purposes.

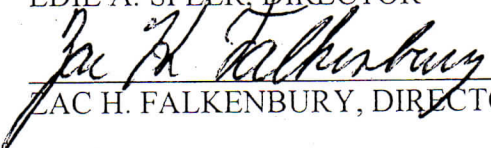
APPROVED BY:



JOHN A. ANDERSON, II, DIRECTOR



EDIE A. SPEER, DIRECTOR



LAC H. FALKENBURY, DIRECTOR

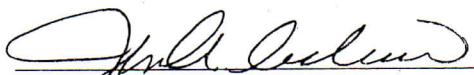
CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of the Vista Hills Community Association, Inc., a Texas corporation;

That the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the Board of Directors where a quorum was present held on the 14th day of July, 2004.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this the 28th day of July, 2004.


JOHN A. ANDERSON, II, Secretary

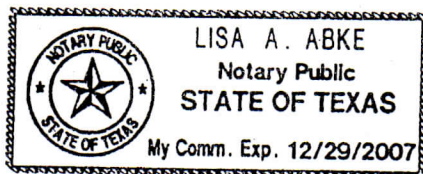
STATE OF TEXAS

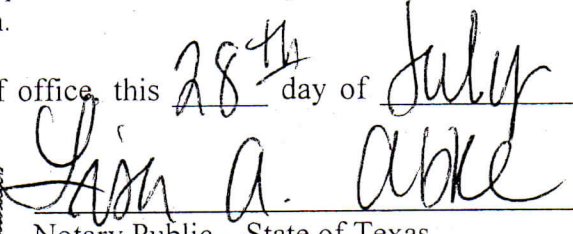
COUNTY OF Grimes

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BEFORE ME, on this day personally appeared JOHN A. ANDERSON, II, the Secretary of Vista Hills Community Association, Inc. known by me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein and herein stated, and as the act and deed of said corporation.

Given under my hand and seal of office, this 28th day of July, 2004.




Notary Public – State of Texas

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After Recording Please Return To:

Marc D. Markel
Roberts Markel Guerry, P.C.
2500 City West Blvd., Suite 1350
Houston, TX 77042

STATE OF TEXAS

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VISTA HILLS

VISTA HILLS COMMUNITY ASSOCIATION, INC.

PLAT: recorded under Clerk's File No: 192074

Clerk's File No.: 192159

5. Mailing Address of Association or Name and Mailing Address of Managing Agent, telephone number of Managing Agent: Edie A. Speer, 11978 F.M. 362, Navasota, Texas 77568. Telephone: 936-825-7373

6. Other information the Association considers appropriate for the governing, administration or operation of the subdivision and homeowners association: By-Laws Recorded under Clerk's
File No: _____

VISTA HILLS COMMUNITY ASSOCIATION, INC.

By:

JOHN A. ANDERSON, II, SECRETARY

STATE OF TEXAS

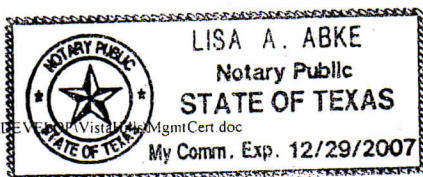
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COUNTY OF

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This instrument was acknowledged and signed before me on this the 28th day of July, 2004 by John A. Anderson, II, the Secretary of Vista Hills Community Association, Inc. on behalf of the Association.



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Notary Public – State of Texas

After Recording Return To:

Marc D. Markel

Roberts Markel Guerry P.C.

2500 City West Boulevard, Suite 1350

Houston, Texas 77042