

BY-LAWS
of
PARK LAKES PROPERTY OWNERS ASSOCIATION, INC.

Park Lakes Property Owners Association, Inc. (the "Association"), is the association referred in the "Declaration of Covenants, Conditions and Restrictions for Canyon Gate at Park Lakes and Canyon Village at Park Lakes" (the "Declaration"), filed of record in the Official Public Records of Real Property of Harris County, Texas under County Clerk's File No. Y128704. Terms used in these By-Laws shall have the same meanings given to them in the Declaration, unless otherwise specifically provided herein. In the event of any conflict between the terms and provisions of these By-Laws and the Declaration, the Declaration shall control.

ARTICLE I
OFFICES

Section 1.1. Principal Office. The principal office of the Association shall be located in the State of Texas at such place as the Board of Directors may determine or as the affairs of the Association may require from time to time.

ARTICLE II
MEMBERS, MEETINGS AND VOTING RIGHTS

Section 2.1. Members. Each Owner of a Lot in the Subdivision shall be a member in the Association and such membership shall terminate automatically when such ownership ceases. Upon the transfer of ownership of a lot, the new Owner thereof shall, concurrently with such transfer, become a member in the Association. There shall be two classes of voting membership, as follows:

Class A. Class A members shall be all Owners, with the exception of Developer, and shall be entitled to one (1) vote for each Lot owned. When more than one (1) person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they determine, but in no event shall more than one (1) vote be cast with respect to any Lot. Holders of future interests not entitled to present possession shall not be considered as Owners for the purposes of voting hereunder.

Class B. The Class B member(s) shall be Developer, or its successors or assigns so designated in writing by Developer, and shall be entitled to seven (7) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership at the end of the Developer Control Period.

No member shall have any right or interest in the assets of the Association, including, without limitation, any right to distribution of assets in the event of the liquidation, dissolution or winding up of the Association, whether voluntary or involuntary.

Section 2.2. Voting Rights. No Owner shall be entitled to vote at any meeting of the Association until such Owner has presented evidence of ownership of a lot to the Association. If so determined by the Board, any member who is in default in the payment of his annual maintenance

charges, special assessments or any other sums owed to the Association (including without limitation attorney's fees, late fees, collection costs, interest, fines and damages) may not vote until all amounts have been paid. In the event that ownership interests in a Lot are owned by more than one member of the Association, such members shall exercise their right to vote in such manner as they may among themselves determine, but in no event shall more than one vote be cast for each lot owned by a Class A Member or more than seven (7) votes for each lot owned by a Class B Member. The Board shall be entitled to rely on any vote cast by any co-owner of a Lot, unless prior written notice signed by a majority of the co-owners has been received by the Board designating one of the co-owners to exercise the vote for the vote to be taken. All members of the Association may attend meetings of the Association and they may exercise their vote at such meetings either in person or proxy. Fractional votes, split votes and cumulative voting will not be permitted.

Section 2.3. Developer Control Period. The phrase "Developer Control Period" shall mean the later of: (a) the last vacant Lot in the Property is sold to an Owner, other than the Developer or a Builder, or; (b) December 31, 2020. Developer may also end the Class B Membership in the corporation at any time (also referred to as the Developer Control Period in the Declaration) by written notice to the Board of Directors of the corporation of Developer's decision to end the Developer Control Period.

Section 2.4. Annual Meetings. An annual meeting of the members shall be held at the principal office of the Association or at such other place as may be designated in writing by the Board on the day and at the hour specified in the notice, for the purpose of electing Directors and for the transaction of such other business as may come before the meeting. The first annual meeting shall be in the year 2005.

Section 2.5 Special Meetings. Special meetings of the members may be called at any time by the President, a majority of the Board of Directors, or members representing not less than ten percent (10%) of the votes entitled to be cast in the Association.

Section 2.6. Place of Meeting. The Board of Directors may designate any place within the State of Texas as the place of meeting for any annual meeting 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 principal office of the Association; but if all of the members shall meet at any time and place, within the State of Texas, and consent to the holding of a meeting, such meeting shall be valid without call or notice, and at such meeting any corporate action may be taken.

Section 2.7. Notice of Meetings. Written or printed notice stating the place, day, and hour of any meeting of members shall be delivered either personally, by mail, or by facsimile to each member entitled to vote at such meeting, not less than ten (10) nor more than sixty (60) days before the date of such meeting, by or at the direction of the President or the Secretary. The purpose or purposes for which the meeting is called shall be stated in the notice. If mailed, the notice of a meeting 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 records of the Association, with postage thereon prepaid.

Section 2.8. Unanimous Consent. Any action required by law to be taken at a meeting of the members, or any action that may be taken at a meeting of members, may be taken without a

meeting if a consent in writing, setting forth the action to be taken, shall be signed by all of the members entitled to vote with respect to the subject matter thereof.

Section 2.9. Quorum. The members holding ten percent (10%) of the total number of votes in the Association entitled to be cast (as defined in Section 2.2) shall constitute a quorum at any meeting of members. If a quorum is not present at any meeting of members, a majority of the members present and entitled to cast votes may adjourn and reconvene the meeting from time to time without further notice, until a quorum shall be present or represented. At such reconvened meetings, at which a quorum shall be present or represented by proxy, any business may be transacted as was set out in the notification of the original meeting.

Section 2.10. Proxies. At any meeting of members, a member entitled to vote may vote by proxy executed in writing by the member or by his duly authorized attorney-in-fact. Proxies shall be filed with the Secretary of the Association at or before the appointed time of each meeting of the Association. All proxies shall be revocable unless expressly provided therein, and shall automatically terminate upon conveyance by the Owner of his lot.

Section 2.11. Majority Vote. Except as otherwise provided by law, in the Declaration, Articles of Incorporation or in these By-Laws, all action to be taken or authorized by the members shall be deemed validly taken or authorized upon the approval of a 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.

Section 2.12. Cumulative Voting. At all meetings of the Association, cumulative voting shall not be permitted.

Section 2.13. Record Date. The record date for determining the members entitled to vote at a members' meeting shall be the date determined by the Board of Directors or if not defined the close of business on the day preceding the date of the meeting.

ARTICLE III

BOARD OF DIRECTORS

Section 3.1. Number, Qualification and Nomination. The Board of Directors shall initially consist of three (3) persons. At any time the Board of Directors may increase the number of Directors to no more than five (5) and once so increased, the numbers of Directors may not be decreased except by an amendment of these By-Laws until the first Annual Meeting after the end of the Developer's Control Period none of the Directors need be members of the Association, thereafter, a Director must be a member of the Association. After the end of the Developer's Control Period, nomination for election to the Board shall be made by a nominating committee which shall consist of a Chairman who shall be a member of the Board whose term is not expiring, and two or more members of the Association, who shall be appointed by the Board prior to each annual meeting of the members of the Association. Nominating committee members shall serve until their successors are appointed. The nominating committee shall make as many nominations for election to the Board as there are vacancies to be filled and, in the event new directorships are created, shall nominate the persons to serve as, and shall designate the terms to be filled by, the new Directors. Nominations may also be made from the floor at the annual meeting of members of the Association.

Section 3.2. Election. Prior to the end of the Developer's Control Period, all appointments and/or replacements to the Board shall be made by the Developer. After the Developer's Control Period, the Directors shall be elected by the members at each annual meeting. At the first annual meeting of the members of the Association after the Developer's Control Period, the members shall elect one (1) Director for a term of one (1) year, two (2) Directors for a term of two (2) years, and two (2) Directors for a term of three (3) years. Thereafter, at the annual meeting of the members, the members shall elect the number of Directors necessary in order to fill the positions of the Directors whose terms have expired at the time of the annual meeting, each to serve a term of three (3) years. Members may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration and these By-Laws. The nominees receiving the highest number of votes shall be elected. All votes shall be cast by written ballot.

Section 3.3. Removal and Vacancies. After the Developer's Control Period, any Director may be removed from the Board with or without cause, by the affirmative vote of members representing a majority of the total number of votes in the Association, at a special meeting called for such purpose. In such event, a successor for such removed Director shall be elected by a vote of the Association. Vacancies in the Board of Directors caused by reasons other than removal shall be filled by the remaining Directors. A Director elected or appointed to fill a vacancy created on the Board shall serve for the unexpired term of his predecessor.

Section 3.4. Meetings. A regular or special meeting of the Board of Directors may be called by or at the request of the President or any two Directors. The person or persons authorized to call meetings of the Board may fix any place, within the State, as the place for holding any meeting of the Board.

Section 3.5. Notice. Notice of any special meeting of the Board of Directors shall be given at least three (3) and not more than thirty (30) days previous thereto by written notice delivered personally or sent by mail or telegram to each Director at his address as shown by the records of the Association. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any Director may waive notice of any meeting before or after the meeting by signed, written waiver. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. The business to be transacted at the meeting must be specified in the notice or waiver of notice of any special meeting.

Section 3.6. Quorum; Manner of Acting. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board. The acts approved by a majority of those present at a duly called meeting at which a quorum was present shall constitute the acts of the Board, unless the act of a greater number is required by law or by these By-Laws. The Directors may vote at any meeting of Directors by proxy executed in writing.

Section 3.7. Compensation. Directors shall not receive any compensation for their services as Directors, but shall be reimbursed for reasonable expenses incurred while serving in such capacity.

Section 3.8. Indemnification. The Association shall indemnify a Director who was, is or is threatened to be named as a defendant or respondent in a proceeding to the greatest extent indemnification is allowed under Section 2.22A of the Texas Non-Profit Corporation Act.

Section 3.9. Unanimous Consent by Directors. The Directors shall have the right to take any action without a meeting which they could take at a meeting by obtaining the written approval of all of the Directors. Any actions so approved shall have the same effect as though taken at a meeting of the Directors.

Section 3.10. Powers and Duties. All of the powers, authority and duties of the Association existing under the Texas Non-Profit Corporation Act, the Declaration, Articles of Incorporation and these By-Laws shall be exercised exclusively by the Board, its agents, contractors or employees, subject only to approval by members when such is specifically required by law, the Declaration or these By-Laws. Provided, however, the Board of Directors must comply with all the applicable provisions of Chapter 209 of the Texas Property Code.

Section 3.11. Order of Business. At meetings of the Board of Directors, business shall be transacted in such order as from time to time the Board may determine. The Secretary of the Association shall act as Secretary of the meetings of the Board of Directors, but in the absence of the Secretary, the presiding officer may appoint any person to act as Secretary of the meeting.

Section 3.12. Presumption of Assent. A Director of the Association who is present at a meeting of the Board of Directors at which action on any matter is taken shall be presumed to have assented to the action unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

ARTICLE IV **OFFICERS**

Section 4.1. Officers. The officers of the Association shall be a President, one or more Vice-Presidents (the number thereof to be determined by the Board of Directors), a Secretary, a Treasurer, and such other officers as may be elected in accordance with the provisions of this article. The Board of Directors may elect or 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.

Section 4.2. Election and Term of Office. The officers of the Association shall be elected annually by the Board of Directors at the first meeting of the Board of Directors after the Annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as is convenient. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold the office until his successor shall have been duly elected and shall have been qualified.

Section 4.3. Removal. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Association

would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the officers so removed.

Section 4.4. Vacancies. A vacancy in any office, because of death, resignation, removal, disqualification, or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

Section 4.5. President. The President shall be the principal executive officer of the Association and shall, in general, supervise and control all of the business and affairs of the Association. He shall preside at all meetings of the members and the Board. He may sign, with the Secretary or any other proper officer of the Association authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments that the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws or by statute to some other officer or agent of the Association; and, in general, he shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 4.6. Vice-President. In the absence of the President or in the event of his inability or refusal to act, the Vice-President(s) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions on the President. Any Vice-President shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors. If more than one Vice-President is elected, the Board of Directors shall designate who is First Vice-President, who is the Second Vice-President, etc. The authority to act for the President shall vest to the Vice-Presidents in the order of their numerical designation by the Board of Directors, or, if none, by the chronological order of their election as Vice-Presidents.

Section 4.7. Treasurer. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties, as the Board of Directors shall determine. He shall have charge and custody of and be responsible for all funds and securities of the Association; receive and give receipts for monies due and payable to the Association from any source whatsoever, and deposit all such monies in the name of the Association in such banks, trust companies, or other depositories as shall be selected by the Board of Directors; and, in general, perform all the duties from time to time as may be assigned to him by the President or by the Board of Directors.

Section 4.8. Secretary. The Secretary shall keep the minutes of the meetings of the members and of the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; be custodian of the corporate records and of the seal of the Association and see that the seal of the Association is affixed to all documents, the execution of which on behalf of the Association under its seal is duly authorized in accordance with the provision of these By-Laws; keep a register of the address of each member; and in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 4.9. Assistant Treasurers and Assistant Secretaries. If required by the Board of Directors, the Assistant Treasurers shall give bonds for the faithful discharge of their duties in such

sums and with such sureties as the Board of Directors shall determine. The Assistant Treasurers and Assistant Secretaries, in general, shall perform such duties as shall be assigned to them by the Treasurer or the Secretary or by the President or by the Board of Directors.

Section 4.10. Compensation. Officers of the Association shall not receive any compensation for their services as officers, but shall be reimbursed for reasonable expenses incurred while serving in such capacities. This provision shall not preclude the Board from employing a Director or officer as an employee of the Association nor preclude the Board from contracting with a Director or officer for the management of the Association.

ARTICLE V **COMMITTEES**

The Board of Directors may designate one or more committees, each of which shall consist of two or more members, which committees, to the extent provided in said resolution, shall have and exercise the authority of the Board of Directors in the management of the Association; but the designation of such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors or any individual Director, of any responsibility imposed on it or him by law.

ARTICLE VI **CONTRACTS, CHECKS, DEPOSITS AND FUNDS**

Section 6.1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents of the Association, in addition to the officers so authorized by these By-Laws, to enter into any contract or execute and deliver any instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instances.

Section 6.2. Checks, Drafts, or Orders for Payment. All checks, drafts, or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Association shall be signed by such officer or officers, agent or agents of the Association and in such manner as shall from time to time be determined by resolution of the Board of Directors. In the absence of such determination by the Board of Directors, such instruments shall be signed by the Treasurer or any Assistant Treasurer and countersigned by the President or a Vice-President of the Association.

Section 6.3. Deposits. All funds of the Association shall be deposited from time to time to the credit of the Association in such banks, trust companies, or other depositories as the Board of Directors may elect.

Section 6.4. Gifts. The Board of Directors may accept on behalf of the Association any contribution, gift, bequest, or devise for the general purposes, or for any special purpose, of the Association.

ARTICLE VII **MISCELLANEOUS**

Section 7.1. Books and Records. The Association shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its members, Board of

Directors, and committees having any of the authority of the Board of Directors, and shall keep at the registered or principal office a record giving the names and addresses of the members entitled to vote. All books and records of the Association may be inspected by and at the expense of any member, or his agent or attorney, during normal business hours by appointment upon the submission of a written request stating a proper purpose for the request. Only the books and records relevant to the stated purpose of the request need be made available for inspection.

Section 7.2. Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the last day of December each year.

Section 7.3. Waiver of Notice. Whenever any notice is required to be given under the provisions of the Articles of Incorporation or the By-Laws of the Association, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Section 7.4 Business Judgment Rule. ANY ACT OR THING DONE BY ANY DIRECTOR, OFFICER, OR COMMITTEE MEMBER TAKE 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 IN THE BEST INTEREST OF THE CORPORATION.

ARTICLE VIII

AMENDMENTS

Section 8.1. Power of Directors to Amend By-Laws. Prior to the end of the Developer's Control Period, these By-Laws may only be amended, repealed or added to, or new By-Laws adopted, by the vote or written consent of a majority of the members of the Board of Directors.

Section 8.2. Power of Members to Amend By-Laws. After the end of the Developer's Control Period, these By-Laws of this Association may be amended, repealed or added to, or new By-Laws may be adopted by the Board of Directors or, by the vote of a majority of the members that are present, in person or by proxy, at a meeting duly called for that purpose at which a quorum is present.

IN WITNESS WHEREOF, we, being all of the members of the Board of Directors of Park Lakes Property Owners Association, Inc. specified in the Articles of Incorporation, have hereunto set our hands this 27th day of December, 2004.

By: Al Brende
Al Brende, President

By: Linda Houston
Linda Houston, Vice-President

By: B.J. Weidenfeld
B.J. Weidenfeld, Secretary/Treasurer

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