

BYLAWS

of

SHADY HOLLOW ESTATES COMMUNITY ASSOCIATION

A TEXAS NON-PROFIT CORPORATION

The name of this non-profit corporation shall be Shady Hollow Estates Community Association (the "Association").

ARTICLE I

Purpose and Parties

Section 1. Purpose. The purpose for which the Association is formed is to govern the residential subdivision known as Shady Hollow Estates Section One, Shady Hollow Estates Section Two Amended, Shady Hollow Estates Phase B, and Shady Hollow Estates Section Three, situated in Travis County, Texas, and described in that certain Declaration of Covenants, Conditions and Restrictions and all amendments and supplements thereto (together the "Declaration") of record in Volume 8545, Page 673, Deed Records of Travis County, Texas. All definitions and terms contained in the Declaration shall apply hereto and are incorporated herein by reference.

Section 2. Parties. All present or future Owners, tenants, occupants or any other person who might use in any manner the facilities of the Property are subject to the provisions and any regulations set forth in these Bylaws. The mere acquisition, lease or rental of any Tract or the mere active occupancy of any Tract will signify that these Bylaws are accepted, approved and ratified.

ARTICLE II

Membership and Voting

Section 1. Membership. Each Owner, whether one or more persons or entities, shall, upon and by virtue of becoming an Owner, become a Member of the Association and shall remain a Member until such time as his ownership or fee simple title to the surface estate of any Tract terminates for any reason, whereupon his membership in the Association shall automatically terminate.

Section 2. Voting. The Association shall have one class of membership. The Owners as defined in the Declaration shall be the membership of the Association. By virtue of such membership, each Owner shall have one vote for each Tract owned by him within the Properties. When more than one Owner holds an interest in any Tract, all such persons or entities shall determine among themselves how the vote for such Tract shall be exercised, but in no event shall more votes be cast than the number that are attributable to such Tract. Votes may be cast in person or by duly authorized proxy. Any Owner who is delinquent in the payment of any assessment as set forth in the Declaration shall not be entitled to vote during any period in which any such assessment is delinquent.

Section 3. Majority of Members. As used in these Bylaws, the term "majority of Members" shall mean those voting Members holding 51% of the votes in the Association.

Section 4. Quorum. The presence, in person or by proxy, of 51% of the votes in the Association shall constitute a quorum. In the event a quorum is not present, then the meeting called shall be adjourned, and notice of a new meeting for the same purposes shall be sent by mail or hand-delivered to each Tract, at least ten (10) days, but not more than 30 days prior to such meeting. The number of Members represented in person or by proxy at the new meeting shall be sufficient to constitute a quorum. An affirmative vote of a majority of the votes of the Members present, either in person or by proxy, shall be required to transact the business of the meeting.

Section 5. Proxies. Votes may be cast in person or by proxy. No proxy shall be valid after eleven months from the date of its execution unless specifically provided in the proxy. All proxies must be filed with the Secretary of the Association before the appointed time of each meeting.

Section 6. Order of Business. The order of business at all meetings of the Association shall be determined by the presiding officer at such meeting unless the Members present by majority vote at such meeting determines otherwise, in which case the Members shall fix the order of business.

ARTICLE III

Administration

Section 1. Association Responsibilities. The Members will constitute the Association, which will have the responsibility of administering the Property through a Board of Directors.

Section 2. Place of Meeting. Meetings of the Association shall be held at a suitable place, convenient to the Members, as the Board of Directors may determine.

Section 3. Annual Meetings. The annual meetings of the Association shall be held on or before 45 days prior to the expiration of each fiscal year.

Section 4. Special Meetings. Special meetings of the Association may be called by the President, by the Board of Directors, or upon written request of the Members representing 1/4 of the votes in the Association. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business except as stated in the notice shall be transacted at a special meeting.

Section 5. Notice of Meetings. It shall be the duty of the Secretary of the Association to mail a notice of each annual or special meeting, stating the purpose thereof, as well as the time and place it is to be held, to each Member and to each Eligible Mortgagee at least ten days, but not more than 30 days, prior to such meeting. The mailing of such a notice shall be considered notice served.

ARTICLE IV

Board of Directors

Section 1. Number. At the first meeting of the Association, there shall be elected any five (5) Members of the Association to the Board of Directors, which shall thereafter govern the affairs of the Association until their successors have been duly elected and qualified.

Section 2. Term of Office. The term of office of the Directors shall be fixed at one year.

Section 3. Removal of Directors. At any regular or special meeting of the Association duly called, any one or more of the directors may be removed with or without cause by a majority of the Members, and a successor may 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 V

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 a majority of the directors, but at least one such meeting shall be held each calendar year.

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.

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 VI

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 the Property, the personal conduct of the Members, occupants of the Property, and their guests, and to establish penalties for the infraction thereof;

(c) Suspend the voting rights 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 sixty (60) 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 Bylaws, 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; provided, however the Members may establish a form of self-management;

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

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

(i) To appoint committees as deemed necessary or desirable for the handling of certain specific functions of the Association. These committees shall act as an extension of the Board of Directors and will report their activities to the Board as often as required by the Board, but not less than once per year. The Board of Directors may appoint as many committees as it deems necessary in addition to what shall be considered Standing Committees, listed and described below. Appointments to a committee will be made by the Board. Committee members will serve for a period of one year or until removed by a majority vote of the Board.

The Standing Committees will be as follows:

(1) The Architectural Control Committee shall have the duties and responsibilities set forth in the Declaration.

(2) The Declaration and Bylaws Committee shall have the responsibility of interpretation and revision and control of the Declaration and Bylaws of the Association; and

(3) The Budget Committee shall have the responsibility of developing an annual budget and presenting it to the Board of Directors for review and approval at least forty-five (45) days prior to the expiration of the Association's fiscal year.

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;

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

(c) Levy and collect assessments in accordance with the Declaration;

(d) Issue, or cause an appropriate officer to issue, upon demand by any other, a certificate setting forth whether or not a Member's 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 the Common Areas and facilities thereon to be repaired, replaced and maintained;

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

(h) 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;

(i) Designate the personnel necessary for the maintenance, repair or replacement of the Property; and

(j) 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 Property.

ARTICLE VII

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 at a meeting of the Board of Directors.

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 VIII

Indemnification of Officers and Directors

The Association shall indemnify every director or officer, his or her 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 contained in this Article shall be deemed to obligate the Association to indemnify any Member, 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 an Owner covered thereby.

ARTICLE IX

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 Bylaws 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 X

Amendments

Section 1. Meeting. These Bylaws 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. Conflicts. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration, the Articles of Incorporation or these Bylaws, the Declaration shall control.

ARTICLE XI

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.

These Bylaws of the Shady Hollow Estates Community Association, a Texas non-profit corporation, are hereby adopted by the initial Board of Directors elected at the first meeting of the Association.

Craig Hachler
Joseph D. Kristian
Christopher A. Stewart

Dennis A. Ring
Edward V. V. V. V.

THE STATE OF TEXAS *

COUNTY OF TRAVIS *

AMENDMENT TO THE BYLAWS OF
SHADY HOLLOW ESTATES COMMUNITY ASSOCIATION

WHEREAS, Article X, Amendments, Section 1, Meeting, states that the Bylaws may be amended at a regular or special meeting by the Members, by a vote of 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; and

WHEREAS, the following amendment to the Bylaws was approved by the requisite number of members;

Now, therefore, the following new Article VI, Section 1 (j) is inserted after the existing Article VI, Section 1 (i):

Establish a late charge to be assessed in addition to and become a part of the assessments and subject to the remedies for the collection thereof, in an amount which will justly compensate the Association for the time of its officers and employees in dealing with the collection of past due maintenance fees, interfacing with the Association's attorney and administrative overhead. The Board of Directors may, by a majority vote, from time to time, change the amount of the late charge.

SIGNED the 6TH day of FEBRUARY, 1991.

Christophe A. Stewart
PRESIDENT

Joseph D. Kristini
SECRETARY

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