

**BYLAWS OF WILLOW BEND SUBDIVISION UNIT THREE
PROPERTY OWNERS' ASSOCIATION
(A Texas Nonprofit Corporation)**

ARTICLE I. DEFINITIONS

1.01 Definitions. The words defined in the Declaration of Covenants, Conditions, & Restrictions for WILLOW BEND SUBDIVISION UNIT THREE, recorded in the Real Property Records of El Paso County, Texas (the "Declaration"), shall have the same meaning in these Bylaws.

ARTICLE II. NAME

2.01 Name. The name of this Corporation shall be WILLOW BEND SUBDIVISION UNIT THREE PROPERTY OWNERS' ASSOCIATION (hereinafter called the "Association").

ARTICLE III. OFFICES

3.01 Registered Office. The registered office of the Association shall be as designated with the Secretary of State of the State of Texas, as it may be changed from time to time.

3.02 Other Offices. The Association may also have offices at such other places both within and without the State of Texas as the Board of Trustees may from time to time determine or the business of the Association may require.

ARTICLE IV. PURPOSES AND PARTIES

4.01 Purposes. The purpose or purposes for which the Association is organized are to act as agent for the Owners of WILLOW BEND UNIT THREE development and for any and all other property which is accepted by this Association for similar purposes. Such purposes, which are subject to the limitations set forth in the Declaration, are as follows:

(a) To exercise all of the power and privileges and perform all of the duties and obligations of the Association as set forth in the Declaration;

(b) To affix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the Declaration; and, as agent, pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of this Association including all licenses, taxes or governmental charges levied or imposed against the property of this Association and to make disbursements, expenditures and payments on behalf of the Owners as required by the Declaration and these Bylaws of the Association; and to hold as agent for the Owners reserves for periodic repairs and capital improvements to be made as directed by the Owners acting through the Board of Trustees of the Association;

(c) To acquire by gift, purchase or otherwise to own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or to otherwise dispose of real or personal property in connection with the affairs of this Association subject to the limitations, if any, set forth in the Declaration;

(d) To borrow money, to mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred subject to the limitations, if any, set forth in the Declaration;

(e) To provide general sanitation and cleanliness of any Common Area and Common Facilities;

(f) To provide upkeep and maintenance of any Common Area, Common Facilities and Lots as provided in the Declaration;

(g) To enter into and perform any contract and to exercise all powers which may be necessary or convenient to the operation, management, maintenance and administration of the affairs of WILLOW BEND UNIT THREE development in accordance with the Declaration; and

(h) To have and to exercise any and all powers, rights and privileges a corporation under the Non-profit Corporation Law of the State of Texas, may now or hereafter exercise.

4.02 Parties. All present or future Owners, tenants, future tenants of any Lot, or any other person who might use in any manner the facilities in the Common Areas are subject to the provisions and any regulations set forth in these Bylaws. The mere acquisition, lease or rental of all or any portion of a Lot or the mere act of occupancy of all or any portion of a Lot will signify that these Bylaws are accepted, approved, ratified, and will be complied with.

ARTICLE V. MEMBERSHIP, MEMBER IN GOOD STANDING, VOTING RIGHTS, VOTING, CUMULATIVE VOTING, QUORUM, PROXIES

5.01 Membership. Each and every Owner of a Lot, or a subdivided portion thereof, shall automatically become, and must remain, a Member in good standing of the Association during such Owner's period of ownership of such Lot or portion thereof. Such membership shall be appurtenant to each Lot, or portion thereof, and may not be severed from or held separately therefrom. The membership of a person or entity in the Association shall terminate automatically whenever such person or entity ceases to be an Owner, except that such termination shall not release or relieve any person or entity from any liability or obligation incurred under or in any way connected with the Association or the Declaration during the period of ownership, nor impair any rights or remedies which the Association or any other Owner have with regard to such former Owner.

5.02 Member in Good Standing. A member of the Association shall be considered to be a Member in good standing and eligible to vote (if otherwise entitled to vote under these Bylaws) if such Member:

(a) Has, not less than seven (7) days prior to the taking of any vote by the Association, fully paid all assessments or other charges levied by the Association then due and payable, as such assessments or charges are provided for hereunder;

(b) Does not have a lien filed by the Association against its Lot;

(c) Has discharged other obligations to the Association as may be required of Members hereunder; and

(d) Has met the proof of ownership requirement, if any, provided for in Section 12.01 of these Bylaws.

The Board shall have sole responsibility and authority for determining the good standing status of any Member at any time, and shall make such determination with respect to all Members prior to a vote being taken by the Association on any matter. The Board shall have the right and authority, in its sole discretion, to waive the seven (7) days prior payment requirement established herein and require only that such payment be made at any time before such vote is taken if the Board shall determine, in its own judgment, that extenuating circumstances exist which have prevented a particular Member from meeting any or all of the four requirements stated herein at or before seven (7) days in advance of any vote. Any Member not conforming with the provisions of this Section shall be declared to be not a Member in good standing. Moreover, unless the time requirement required hereunder is specifically waived by the Board in writing prior to any particular vote being taken, the Member to which that time period pertains shall be disqualified from voting on matters before the Association until such time as Member in good standing status is attained and so declared by the Board.

5.03 Voting Rights in the Association. Subject to the terms of the Declaration, each Member shall be entitled to one (1) vote for each Lot. Where more than one person or entity holds such interest in any Lot or subdivided portion thereof, all such persons collectively shall be a single Member, and the vote for such Member shall be exercised as the several parties shall determine among themselves.

The Association shall not be a voting member by virtue of its ownership of any Lot, or subdivided portion thereof.

5.04 Voting. Only Members in good standing shall be entitled to vote, and voting membership shall be decreased by the number of Members who are not Members in good standing to determine the votes entitled to be cast for the purpose of establishing a quorum, such determination of the total number of Members in good standing to be as of the date of which a vote is taken. The vote of the majority of those votes entitled to be cast by the Membership in good standing present or voting by legitimate proxy at a duly called meeting at which a quorum of Members are represented shall be sufficient for the transaction of any business, unless otherwise provided by law and except for an amendment to the Declaration by the Members as provided in the Declaration.

5.05 Cumulative Voting. Cumulative voting shall not be allowed.

5.06 Majority. As used in these Bylaws, the term "Majority of Owners" or "Majority of Members" shall mean those voting Members holding fifty-one percent (51%) of the votes of the Association.

5.07 Quorum. Members holding one-half (1/2) of the votes entitled to be cast, shall constitute a quorum for voting on matters brought before the Association at meetings of Members called by the Board. In the event a quorum is not present, then the meeting for the same purposes within two (2) to four (4) weeks shall be sent by mail, at which meeting the number of Members in good standing represented in person or by proxy shall be sufficient to

constitute a quorum. The Members in good standing present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members in good standing to leave less than a quorum. An affirmative vote of a majority of the Owners so present and entitled to vote, either in person or proxy, shall be required to transact the business of the meeting.

5.08 Proxies. Votes may be cast in person or by written proxy. No proxy shall be valid after eleven (11) months from the date of its execution unless specifically provided in the proxy. All proxies must be filed with the Secretary or Assistant Secretary of the Association before the appointed time of each meeting.

ARTICLE VI. ASSOCIATION RESPONSIBILITIES AND MEETINGS OF MEMBERS

6.01 Association Responsibilities. The Members will constitute the Association which will have the responsibility of administering and enforcing the covenants, conditions and restrictions contained in the Declaration, including the collection and disbursement of charges and assessments created therein, through a Board of Trustees. In the event of any dispute or disagreement between any Members relating to the Properties, or any questions of interpretation or application of the provisions of the Declaration, Articles of Incorporation or these Bylaws, such dispute or disagreement shall be submitted to the Board. The determination of such dispute or disagreement by the Board shall be binding on each and all such Members, subject to the right of Members to seek other remedies provided by law after such determination by the Board.

6.02 Place of Meeting. Meetings of the Association shall be held at such suitable place, convenient to the Members, as the Board of Trustees may determine.

6.03 Annual Meetings. The annual meetings of the Association shall be held on or before the first day of March of each year. At such meetings there shall be elected by ballot of the Members entitled to vote a Board of Trustees in accordance with the requirements of Paragraph 7.05 of Article VII of these Bylaws. The Members may also transact such other business of the Association as may properly come before them.

6.04 Special Meetings. It shall be the duty of the President to call a special meeting of the Members as directed by resolution of the Board of Trustees or upon a petition signed by not less than ten percent (10%) of Members entitled to vote and having been presented to the Secretary or Assistant Secretary of 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. Any such meetings shall be held within thirty (30) days after receipt by the President of such resolution or petition.

6.05 Notice of Meetings. It shall be the duty of the Secretary or Assistant 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 entitled to vote at such meeting, at least ten (10) days, but not more than thirty (30) days prior to such meeting. The mailing of a notice in the manner provided in this paragraph shall be considered notice served.

6.06 Order of Business. The order of business at all meetings of the Members shall be as follows:

- (a) Roll call and certifying proxies;
- (b) Proof of notice of meeting or waiver of notice;
- (c) Reading and disposal of unapproved minutes;
- (d) Reports of officers;
- (e) Reports of committees;
- (f) Election of trustees;
- (g) Unfinished business;
- (h) New business; and
- (i) Adjournment.

ARTICLE VII. BOARD OF TRUSTEES

7.01 Number and Qualification. At the first meeting of the Association, there shall be elected three (3) Trustees to the Board of Trustees who shall thereafter govern the affairs of this Association until their successors have been duly elected and qualified. After the Conversion Date, the Trustees must be Members in good standing of the Association.

7.02 Powers and Duties. The Board of Trustees shall have the powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of the Property in accordance with the Declaration and in keeping with the character and quality of the area in which it is located. The Board of Trustees may do all such acts and things except as by law or by these Bylaws or by the Declaration may not be delegated to the Board of Trustees.

7.03 Other Powers and Duties. Such powers and duties of the Board of Trustees shall include, but shall not be limited to, the following, all of which shall be subject to the limitations, if any, set forth in the Declaration, and shall be done solely for the benefit of the Property and for the mutual and reciprocal benefit of Members:

- (a) To set, collect, and disburse Regular Annual Assessments in any fiscal year or portion thereof for the following purposes:
 - (i) The employment of personnel or independent contractors;
 - (ii) The employment of legal, accounting, engineering, architectural or other independent professional services, including any services required to provide architectural review for any building or other development plans proposed for a Lot;
 - (iii) The purchase of a policy or policies of insurance insuring the Association against any liability to the public, Owners, or occupants incidental to operation of the Association, as provided for in the Declaration;
 - (iv) The purchase of fidelity bonds as provided for in the Declaration; and
 - (v) Anything which the Board deems appropriate and proper in fulfilling its obligations and responsibilities under the terms of the Declaration or by law or which, in its reasonable opinion, shall be necessary or proper for the operation or protection of the Association or for the enforcement of the Declaration;

- (b) To set, collect and disburse Special Group Assessments;
- (c) To set, collect and disburse Special Member Assessments;
- (d) To enter into agreements or contracts with insurance companies with respect to insurance coverage for Common Areas and improvements thereon, Common Facilities and other property of the Association;
- (e) To enter into contracts with utility companies with respect to utility installation, consumption and services matters;
- (f) To borrow funds to pay any costs of operation, secured by assignment or pledge of rights against Owners for current, delinquent or future assessments, as the Board may determine in its sole discretion to be necessary and appropriate;
- (g) To enter into contracts for goods and services or other Association purposes, provide services it deems proper, maintain one or more bank accounts, and generally to have all the powers necessary or incidental as may be required for prudent operation and management of the Association;
- (h) To sue or to defend in any court of law on behalf of the Association;
- (i) To provide for and accumulate reserve funds to be used for repairs, replacement and/or maintenance, in such amounts and for such purposes as may reasonably be determined by the Board to be necessary and appropriate;
- (j) to make, or cause to be made, any tax returns, reports, or other filings required by Federal, State, or local governmental authorities;
- (k) to make reasonable rules and regulations for the use of the Property, including, but not limited to, Common Areas and Common Facilities therein, as the Board deems necessary and appropriate and create a high level of environmental and aesthetic quality within the Property;
- (l) To provide a written annual report to any first mortgage holder, insurer or guarantor of any Lot who submits a written request therefor;
- (m) To collect and use any insurance proceeds to repair or replace any damaged or lost property, or to reimburse persons or entities entitled to receive reimbursement for injury, damage or losses, and, if said insurance proceeds are insufficient to provide full reimbursement as may be required, the Board may act to obtain the funds required in such manner as prescribed in the Declaration;
- (n) To enforce the provisions of the Declaration, and to seek damages and/or equitable relief or other remedial action from any Owner for violation of the Declaration or any of its individual provisions; and
- (o) To contract with any Owner(s), including, without limitation, the Declarant, for performance of services which the Association is otherwise obligated or permitted to perform, such contracts to be at competitive rates then prevailing for such services and

upon such terms and conditions, and for such considerations, as the Board may deem advisable and in the best interest of the Association. The Board also shall have full power and authority, but not an obligation, to contract with any Owner(s) to provide maintenance, repair or replacement service, or any combination thereof, through the Association for an individual Lot.

7.04 No Waiver of Rights. The omission or failure of the Association or any Member to enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations or other provisions of the Declaration, these Bylaws or the rules and regulations adopted pursuant thereto, shall not constitute or be deemed a waiver, modification or release thereof, and the Board of Trustees shall have the right to enforce the same thereafter.

7.05 Election and Term of Office. At the first meeting of the Association the term of office of two (2) Trustees shall be fixed at two (2) years; and the term of office of one (1) Trustee shall be fixed at one (1) year. At the expiration of the initial term of office of each respective Trustee, his successor shall be elected to serve a term of two (2) years. The Trustees shall hold office until their successors have been elected and hold their first meeting, except as is otherwise provided.

7.06 Vacancies. Vacancies in the Board of Trustees caused by death, resignation or disqualification, i.e., by any reason other than the removal of a Trustee by a vote of the Association, shall be filled by vote of the majority of the remaining Trustees, even though they may constitute less than a quorum; and each person so elected shall be a Trustee until a successor is elected at the next annual meeting of the Association.

7.07 Removal of Trustees. At any regular or special meeting duly called, any one or more of the Trustees may be removed with or without cause by a majority of Members entitled to vote and a successor may then and there be elected to fill the vacancy thus created. Any Trustee whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting.

7.08 Organization Meeting. The first meeting of a newly elected Board of Trustees following the annual meeting of the Members shall be held within ten (10) days thereafter at such place as shall be fixed by the Trustees at the meeting at which such Trustees were elected and no notice shall be necessary to the newly elected Trustees in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

7.09 Regular Meetings. Regular meetings of the Board of Trustees may be held at such time and place as shall be determined from time to time by a majority of the Trustees but at least one such meeting shall be held during each calendar quarter. Notice of regular meetings of the Board of Trustees shall be given to each Trustee personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

7.10 Special Meetings. Special meetings of the Board of Trustees may be called by the President on five (5) days' notice to each Trustee given personally, or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting. Special meetings of the Board of Trustees shall be called by the President or Secretary or Assistant Secretary of the Association in like manner and on like notice on the written request of one or more Trustee.

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

7.12 Board of Trustees' Quorum. At all meetings of the Board of Trustees, a majority of the Trustees shall constitute a quorum for the transaction of business, and the acts of the majority of the Trustees present at a meeting at which a quorum is present shall be the acts of the Board of Trustees. If, at any meeting of the Board of Trustees there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

7.13 Compensation. No member of the Board of Trustees shall receive any compensation for acting as such.

ARTICLE VIII. FISCAL MANAGEMENT

8.01 Accounts. The funds and expenditures of the Members by and through the Association shall be credited and charged to accounts under the following classifications as shall be appropriate:

(a) Normal operating expense, which shall include all funds and expenditures within the year for which the funds are budgeted, including a reasonable allowance for contingencies and working funds, except expenditures chargeable to reserves and to additional improvements.

(b) Reserve for maintenance, repair and/or replacement relating to Common Areas and Common Facilities or to Lots which shall include funds for maintenance, repair or replacement required because of damage, wear or obsolescence.

8.02 Separate Accounts. Separate accounts may be established in order to better demonstrate that the amounts deposited therein are capital contributions and not income to the Association.

8.03 Fiscal Year. The fiscal year for the Association shall be the calendar year.

ARTICLE IX. OFFICERS

9.01 Designation. The officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Trustees, and such assistant officers as the Board of Trustees shall, from time to time, elect. Such officers need not be members of the Board of Trustees. The office of President and Treasurer may be held by the same person, and the office of Vice President and Secretary or Assistant Secretary may be held by the same person.

9.02 Election of Officers. The officers of the Association shall be elected annually by the Board of Trustees at the organizational meeting of each new Board and shall hold office subject to the continuing approval of the Board.

9.03 Resignation and Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Trustees, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Trustees, or at any special meeting of the Board called for such purpose. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

9.04 Vacancies. A vacancy in any office because of the death, resignation, removal, disqualification or otherwise of the officer previously filling such office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

9.05 President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Trustees. He shall have all of the general powers and duties which are usually vested in the office of president of an association, including but not limited to the power to appoint committees from among the Members from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association or as may be established by the Board or by the Members of the Association at any regular or special meetings.

9.06 Vice President. The Vice President shall have all the powers and authority and perform all the functions and duties of the President, in the absence of the President, or his inability for any reason to exercise such powers and functions or perform such duties, and also perform any duties he is directed to perform by the President.

9.07 Secretary. The Secretary shall keep all the minutes of the meetings of the Board of Trustees and the minutes of all meetings of the Association; he shall have charge of such books and papers as the Board of Trustees may direct; and he shall, in general, perform all the duties incident to the office of Secretary and as is provided in the Declaration and these Bylaws. The Secretary shall compile and keep up to date at the principal office of the Association a complete list of the Members and their last known addresses as shown on the records of the Association. Such list shall be open to inspection by Members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

9.08 Assistant Secretary. The Assistant Secretary, if any, shall have all the powers and authority to perform all the functions and duties of the Secretary in the absence of the Secretary or in the event of the Secretary's inability for any reason to exercise such powers and functions or to perform such duties, and also to perform any duties he is directed to perform by the Secretary.

9.09 Treasurer. The Treasurer shall have responsibility for Association funds and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board of Trustees.

ARTICLE X. INDEMNIFICATION OF OFFICERS AND TRUSTEES

10.01 Indemnification. The Association may indemnify any Officer or Trustee thereof, who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (whether or not by or in the right of the Association) by reason of the fact that such person is or was a Trustee or Officer of the Association, against all loss, expenses (including but not limited to attorneys' fees and cost of the proceeding), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with or in defense of such action, suit or proceeding to the fullest extent permitted by the Texas Nonprofit Corporation Act.

Indemnification provided herein shall be exclusive of any and all other rights and claims to which those indemnified may be entitled as against the Association, and every Trustee, Officer or employee thereof under any Bylaw, resolution, agreement or law and any request for payment hereunder shall be deemed a waiver of all such other rights, claims or demands as against the Association and each Trustee, Officer and employee thereof. The indemnification provided herein shall inure to the benefit of the heirs, executors, administrators and successors of any person entitled thereto under the provision of this Article.

The Association shall as provided in the Declaration purchase and maintain insurance on behalf of any person who is or was a Trustee, Officer, employee or agent of the Association against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability under the provisions of this Article.

All liability, loss, damage, cost 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 an expense subject to Special Group Assessment; provided, however, that nothing in this Article X contained shall be deemed to obligate the Association to indemnify any Member or Owner who is or has been a director or officer of the Association with respect to any duties or obligations assumed or liability incurred by him under and by virtue of the Declaration and these Bylaws that were assumed or incurred outside of his conduct specifically related to the fulfillment of his duties as an Officer or Trustee of the Association.

10.02 Other. The Members, Board of Trustees, Officers or representatives of the Association shall enter into contracts or other commitments as agents for the Association, and they shall have no personal liability for any such contract or commitment (except such liability as may be ascribed to them in their capacity as Owners).

ARTICLE XI. AMENDMENTS TO BYLAWS

11.01 Amendments to Bylaws. These Bylaws may be amended in writing by Members in good standing and entitled to vote holding seventy-five percent (75%) of the votes in the Association; provided, however, that such authority may be delegated by the majority of such members to the Board as allowed by the Texas Nonprofit Corporation Act.

11.02 Amendments Requiring Mortgage Holder Approval. Changes to these Bylaws of a material nature must be approved by eligible mortgage holders representing at least 51% of the Lots which are subject to mortgages held by eligible mortgage holders. As used herein, the

term eligible mortgage holders shall mean those holders of a first mortgage on a Lot who have requested that the Association notify them on any proposed action which requires the consent of a specified percentage of eligible mortgage holders. A change to any of the following shall be considered material:

- (i) voting rights;
- (ii) assessment liens or subordination of assessment liens;
- (iii) reserves for maintenance and repairs;
- (iv) reallocation of interests in any Common Areas, Common Facilities or rights to their use;
- (v) boundaries of any Lot;
- (vi) conversion of any Lot into a Common Area or vice versa;
- (vii) expansion or contraction of the Subdivision, or the addition, annexation or withdrawal of property to or from the Subdivision;
- (viii) insurance or fidelity bonds;
- (ix) imposition of any restrictions on an Owner's right to sell or transfer his or her Lot;
- (x) restoration or repair of any part of the Subdivision (after a casualty damage or partial condemnation) in a manner other than specified in the Declaration or these Bylaws;
- (xi) any action to terminate the legal status of the Subdivision after substantial destruction or condemnation occurs;
- (xii) any provision hereof which expressly benefit mortgage holders, insurers or guarantors;
- (xiii) responsibility for maintenance and repairs; or
- (xiv) a decision by the Association to establish self management when professional management had been required previously by a mortgage holder.

Notwithstanding any provision in these Bylaws to the contrary, the legal status of the Subdivision may not be terminated for reasons other than substantial destruction or condemnation of the Subdivision unless eligible mortgage holders representing at least sixty-seven percent (67%) of the Lots agree.

ARTICLE XII. EVIDENCE OF OWNERSHIP, REGISTRATION OF MAILING ADDRESS AND DESIGNATION OF VOTING REPRESENTATIVE

12.01 Proof of Ownership. Except for those Owners who purchase a Lot from Declarant, any person, on becoming an owner of a Lot, shall furnish to the Board of Trustees a true and correct copy of the original or a certified copy of the recorded instrument vesting that person with an interest or ownership in the Lot, which copy shall remain in the files of the Association. A Member shall not be deemed to be in good standing nor shall he be entitled to vote at any annual or special meeting of members unless this requirement is first met.

12.02 Registration of Mailing Address. The Owner or several Owners of a Lot shall have one and the same registered mailing address to be used by the Association for mailing of monthly statements, notices, demands and all other communications, and such registered address shall be the only mailing address of a person or persons to be used by the Association. Such registered address of an Owner or Owners shall be deemed to be the mailing address of the Lot or subdivided part thereof owned by said Owner or Owners unless a different registered address is furnished by such Owner(s) to the Board of Trustees within fifteen (15) days after transfer of title, or after a change of address; and such registration shall be in written form and signed by all of the Owners of the Lot or the particular subdivided part thereof or by such persons as are authorized by law to represent the interest of (all of) the Owner(s) thereof.

ARTICLE XIII. ASSESSMENTS AND LIENS

13.01 Purpose of Assessments. Subject to the limitations, if any, set forth in the Declaration, the assessments levied hereunder by the Association shall be used exclusively for the purpose of protecting and promoting the comfort, collective mutual enjoyment, health, safety and welfare of the Owners of the Property, including, but not limited to, the following:

(a) Maintenance. The maintenance, repair or replacement of any and all Common Areas and Common Facilities, if any, and any improvements thereon.

(b) Improvements. The design, purchase and installation of any Common Areas and Common Facilities.

(c) Insurance. The purchase of insurance coverage relating to Common Areas and Common Facilities, and other property of the Association.

(d) Administration. The carrying out of duties of the Board of Trustees as provided herein and in the Declaration and Articles of Incorporation of the Association.

(e) Purposes. The carrying out of purposes of the Association as stated herein and in its Declaration and Articles of Incorporation.

(f) Others. The carrying out of all other matters set forth or contemplated in the Declaration.

13.02 Annual Budget. Each fiscal year while the Declaration is in force, the Board shall adopt an annual budget and set the amount of the Regular Annual Assessment to be levied for the next year, taking into consideration Association operating costs for the then current year, expected normal increases in such costs over the next year, and additional future needs of the

Association, including the establishment and maintenance of an Association reserve fund as provided for herein and in the Declaration. The annual budget shall be adopted by the Board not later than fifteen (15) days prior to the commencement of each fiscal year. Notwithstanding the above, in the event the Board fails for any reason to adopt an annual budget covering the succeeding fiscal year, then and until such time as an annual budget shall have been adopted for such succeeding fiscal year, the annual budget in effect for the current year shall continue and the Regular Annual assessment shall be deemed the same as for the current year.

13.03 Initial Budget. Within thirty (30) days after the filing of the Articles of Incorporation of the Association with the Secretary of State for the State of Texas, the Board of Trustees shall adopt a budget for that portion of the fiscal year of the Association commencing on the date the Articles of Incorporation were filed and terminating on the last day of the then current fiscal year. The manner of determining the assessment for the initial budget shall be the same manner used in determining the Regular Annual Assessments described in paragraph 13.04 below, except that a working capital fund may also be planned for inclusion into the initial budget. The Board of Trustees shall determine in the reasonable exercise of its judgment whether and to what extent such a working capital fund should be incorporated into the Regular Annual Assessment.

13.04 Manner of Determining Regular Annual Assessments. The Regular Annual Assessment for each fiscal year shall be determined by the Board upon its adoption of the annual budget for such fiscal year in the manner set forth in the Declaration. Should any surplus exist at the end of any year, the Board may, at its own discretion, reduce the amount required for the next Regular Annual Assessment by an amount not more than said surplus, provided, however, that reserve fund requirements are first met.

13.05 Special Group Assessments. In addition to the Regular Annual Assessments provided for herein, and subject to the terms of the Declaration, the Association by resolution of its Board of Trustees as provided for in these Bylaws may levy in and for any year, applicable to that year only, a Special Group Assessment for the purpose of:

- (a) Defraying the cost of any new construction or reconstruction, unexpected repair or replacement of capital improvements for and within any Common Areas or Common Facilities, including the necessary fixtures and personal property related thereto;
- (b) Defraying the cost of repairs or replacements resulting from an uninsured loss or damage or insured loss or damage where there are insufficient insurance proceeds as provided for in the Declaration; and
- (c) Responding to unusual or emergency needs of the Association. Such Special Group Assessments shall be allocated and prorated among the Owners at the date each such Special Group Assessment is levied in the same manner as Regular Annual Assessments are allocated and prorated among the Lots as described above.

13.06 Special Member Assessments. In addition to other assessments provided for herein, and subject to the terms of the Declaration, the Association, by resolution of its Board of Trustees, may levy a special assessment ("Special Member Assessment") on any Member for the purpose of:

- (a) Defraying the cost of any unexpected damage or loss requiring maintenance, repairs, or replacement of improvements associated either with a Common

Area, Common Facility or with a Lot not owned by that Member causing such damage or loss which damage or loss has been determined by the Board to have been caused, either directly or indirectly, by the willful or negligent acts of such Member or its agent, occupant or visitor. In reaching a decision to levy such Special Assessment upon any Member, the Board of Trustees shall first determine, in its sole discretion, that reasonable evidence exists to support a determination that said damage or loss was caused, directly or indirectly by a particular Member, or its agent, occupant or visitor. Prior to making such determination, the Board shall inform such Member of its findings and afford the Member the reasonable opportunity (not less than seven (7) days) to: (i) introduce evidence regarding such damage or loss and the cause thereof, or (ii) remedy such loss or damages.

(b) Reimbursing the Association for any and all direct or indirect costs incurred by the Association with regard to the maintenance, repair or replacement of any improvements on any particular Lot owned by such Member when:

(i) It has been determined by the Board of Trustees that the maintenance, repair or replacement of improvements associated with such Member's Lot has been neglected to the point where conditions existing on such Lot are not in conformance with the maintenance obligations set forth in the Declaration;

(ii) The Member owning such Lot shall have been informed in writing of deficiencies found to exist and shall have been afforded a specific and reasonable period of time (not less than seven (7) days) to respond to said notice and/or remedy such deficiencies, the determination of what constitutes a reasonable period of time for remedial action to be made by the Board of Trustees in its sole discretion;

(iii) Those deficiencies determined by the Board of Trustees and reported in writing to the Member owning such Lot are not fully corrected within the time period established by the Board for such corrective action to be completed; and

(iv) Due to the failure of the Member owning such Lot to take corrective action within the period of time established by the Board, it has been necessary or appropriate for the Association to contract for, initiate or complete such corrective action to meet the maintenance requirements of the Declaration. In the event such Member shall start corrective action on a Lot after the Association has either contracted for such work to be done or actually accomplished such work in whole or in part, such Member shall be obligated to the Association for the reimbursement of any costs actually incurred by the Association, including without limitation: release from contract settlements; design, legal or other professional fees; labor, equipment, materials or guarantees required to accomplish corrective work; management or supervisory services; and any other costs directly or indirectly attributable to the work.

13.07 Payment of Regular Annual Assessments. The Regular Annual Assessments provided for herein shall commence on a date fixed by the Board of Trustees and thereafter shall be due and payable in monthly installments, in advance, on the first day of each month.

13.08 Payment of Special Assessments. Special Group Assessments and Special Member Assessments shall be due and payable in full thirty (30) days following the date at which any such assessment is set by the Board of Trustees in the resolution adopting such assessment, or in installments as may be determined by the Board.

13.09 Collection and Enforcement. Each Member, by his assertion of title or claim of ownership or by his acceptance of a deed to a Lot, whether or not it shall be so recited in such deed, shall be conclusively deemed to have expressly vested in the Association, and specifically the Board of Trustees the right, power and authority to take all action which the Association and/or the Board of Trustees shall deem proper for the collection of assessments and/or for the enforcement and foreclosure of the liens securing the same.

13.10 Enforcement and Personal Obligation of Owners for Payment of Assessments. The Regular Annual Assessments, Special Group Assessments, and Special Member Assessments provided for herein shall be the personal and individual debt of the Owner of a Lot, covered by such assessments. No Owner may, for any reason, exempt itself from liability for such assessments levied in accordance with the provisions of the Declaration or these Bylaws. In the event that any assessment or installment thereof is not paid when due, and remains unpaid for a period of thirty (30) days thereafter, then the unpaid amount of any such assessment or installment thereof shall become delinquent and shall, together with interest thereon as herein provided and costs of collection thereof, become a continuing personal obligation and debt of the nonpaying Owner secured by a self-executing lien (and may include a vendor's lien retained by Declarant) on the Lot or subdivided portion thereof, including all improvements thereon, to which such assessment or installment thereof pertains. The Association shall have the right to reject any partial payment of any assessment or installment thereof. The Association's acceptance of any partial payment tendered by an Owner shall neither relieve an Owner from his continued liability for the balance owed nor obligate the Association to accept any other partial payments. The unpaid amount of any assessment shall bear interest from its due date at eighteen percent (18%) per annum or the maximum legal rate of interest then prevailing, whichever is lesser. In addition, the Board may elect to retain the services of an attorney of its choice for the purposes of collecting any unpaid assessment and interest charges thereon, and/or to foreclose the lien against the property subject thereto and/or to pursue any other legal or equitable remedy which the Association may have and there shall be added to the amount of unpaid assessment and interest charges thereon, any and all collection costs incurred by the Association, whether judicial or nonjudicial, and including, but not limited to, reasonable attorney's fees and costs of legal suit.

13.11 Effect of Transfer on Unpaid Assessments. Except as provided in the Declaration, the lien for any unpaid assessments shall be unaffected by any sale or transfer of a full or partial ownership interest in a Lot. In the event of full or partial sale or transfer of an ownership interest in a Lot, it shall be the sole obligation of the Owner selling or transferring such interest (and not the Association) to disclose to any buyer or transferee by written notice that an unpaid assessment and associated lien against the ownership interest exist prior to the date at which such sale or transfer is to be consummated. A copy of such notice shall be sent to the Association at the same time. Upon written request, the Association shall provide an Owner with a statement reflecting the amount of any unpaid or delinquent assessments with respect to a Lot owned by said Owner. A sale or other transfer of title to such Lot shall not release such former Owner from said liability notwithstanding an assumption of liability by the purchaser or transferee.

13.12 Lien and Foreclosure. Upon delinquency, all sums assessed in the manner provided in the Declaration or Bylaws, together with all interest costs as herein provided shall be secured by the lien provided for under the terms of the Declaration. As further evidence and notice of such assessment lien, the Association may prepare a written notice of such lien setting forth the amount of delinquent indebtedness, the name of the Owner of property covered by such lien, and a description of the property. Such notice shall be signed by a duly authorized Officer of the Association and shall be recorded in the Office of the County Clerk of El Paso County, Texas, or such other place as may be required by law for the recording of liens affecting real property at such time as such notice is recorded. Such lien for payment of assessments shall attach from the date such payment becomes delinquent and may be enforced after recording said notice by any one or more of the following methods: (i) a nonjudicial foreclosure of such lien on the Lot, or subdivided portion thereof and any improvements thereon in a manner similar to a foreclosure of a mortgage on real property; (ii) suit against the Owner personally obligated to pay the assessment; and/or (iii) foreclosure of the aforesaid lien judicially. In any foreclosure proceeding whether judicial or nonjudicial, the Owner shall be required to pay the costs, expenses and reasonable attorney's fees incurred by the Association. The Association shall have the power to bid on the property being foreclosed.

13.13 Lien Subordination. Any lien established as provided for in the Declaration or these Bylaws, shall be subordinate and inferior to any mortgage or deed of trust in favor of any bank, savings and loan association, insurance company, pension fund, or other similar financial institution or other lender approved by the Board; provided, however, that such subordination shall apply only to the assessments which have become due and payable prior to a foreclosure sale (whether public or private) of any such Lot pursuant to the terms and conditions of any such mortgage or deed of trust. No such foreclosure sale shall relieve a new Owner taking title at such sale from liability for the amount of any assessments thereafter becoming due or from a lien arising from any such subsequent assessment. Moreover, a lien for assessments shall be unaffected by a foreclosure of other than a first lien created by a mortgage or deed of trust.

13.14 Common Areas/Facilities Exempt. All Common Areas and Common Facilities shall be exempted from any assessments and any lien created herein.

13.15 Notice of Lien or Suit. Any Owner shall at the request of the Association give notice to the Association of every lien or encumbrance upon his Lot or subdivided portion thereon, other than for taxes and Assessments, and notice of every suit or other proceeding which may affect the title to his Lot or subdivided portion thereon, and such notice shall be given within five (5) days after the Owner has knowledge thereof.

ARTICLE XIV. MAINTENANCE OF THE PROPERTY

The provisions of the Declaration pertaining to maintenance are incorporated herein by reference.

ARTICLE XV. INSURANCE

The provisions of the Declaration pertaining to insurance are incorporated herein by reference.

ARTICLE XVI. ABATEMENT AND ENJOINMENT OF VIOLATIONS BY OWNERS

16.01 Abatement and Enjoinment. The violation of any rule or regulation, or the breach of any Bylaw, or the breach of any provision of the Declaration, shall give the Board of Trustees the right, in addition to any other rights set forth in the Declaration or herein: (i) to enter the Lot in which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Owner, any person, thing or condition that may exist therein contrary to the intent and meaning of the provisions thereof or hereof, and the Board of Trustees shall not be deemed guilty in any manner of trespass; and to expel, remove and put out, using such force as may be necessary in so doing, without being liable to prosecution or any damages therefor; and (ii) to enjoin, abate, or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach. Notwithstanding any provision in these Bylaws or the Declaration to the contrary, no improvement on any Lot may be altered or demolished by the Association until after the institution of judicial proceedings to remedy the alleged violation or breach.

ARTICLE XVII. COMMITTEES

17.01 Architectural Control Committee. The Board of Trustees shall establish and maintain an Architectural Control Committee as described in the Declaration. Members of the Board of Trustees may also be members of the Architectural Control Committee, and, if it so chooses, the Board of Trustees may sit as such committee. The Board shall have the exclusive right and authority at any time to appoint, remove and fill vacancies on the Architectural Control Committee.

(a) Function of Committee. The Architectural Control Committee shall have the rights, powers and obligations set forth in the Declaration.

(b) Interpretation. Approval of plans and specifications for any improvements shall be based upon a determination by the Architectural Control Committee as to whether or not in its judgment such plans and specifications adequately meet objectives established for WILLOW BEND UNIT THREE, with regard to environmental and aesthetic excellence, as well as meeting certain functional and other requirements created by the Declaration, these Bylaws and development guidelines. Further, in reaching such decision, the Architectural Control Committee shall consider not only the appropriateness of specific improvements proposed on a particular Lot, but also how said Lot, if developed in the manner intended, would likely relate to and affect those improvements either existing on or intended for other Lots, and conformity to both the specific and general intentions of the Declaration. The Architectural Control Committee shall have full power and authority to make any such subjective judgments and to interpret the intent and provisions of the Declaration and these Bylaws and the development guidelines in such manner and with such results as such Architectural Control Committee may, in its sole discretion, deem appropriate.

(c) Limitation of Liability. The Declarant, the Association, the Board of Trustees or any of its members, and the Architectural Control Committee or any of its members shall not, individually or in combination, be liable for damages or otherwise to anyone submitting plans or specifications for approval or to any Owner of a Lot or any other person affected by an action taken with respect to such a submission by reason of mistake in judgment, negligence, or nonfeasance arising out of or in connection with the

approval or disapproval or failure to approve or to disapprove any plans and specifications submitted.

(d) Retained Control. The initial Architectural Control Committee appointed by the Declarant, including any replacement members appointed pursuant to Section 7.02 of the Declaration, shall, as provided in the Declaration, have exclusive jurisdiction over all Lots in the Subdivision until a residential dwelling and initial landscaping have been constructed and finally completed on the Lot. This subsection contemplates that there could be a time when two Architectural Control Committees will be formed and operating - one as described in the preceding sentence and another with jurisdiction over all completed dwellings and other improvements. If there is a dispute as to whether a dwelling and/or improvements have been completed, the decision of the initial Architectural Control Committee identified in Section 7.02 of the Declaration shall be final and determinative.

17.02 Other Committees. The Board of Trustees, by resolution adopted by a majority of the Trustees in office, may designate one or more other committees including specific area committees. Except as otherwise provided by law, a majority of the members of such committee or committees shall be Trustees, and the President of the Association shall appoint the members thereof.

17.03 Term of Office. Each member of a committee shall continue as such until the next annual meeting of the Members of the Association or until his successor is appointed unless the committee shall be sooner terminated, or unless such member be removed from such committee, or unless such member shall cease to qualify as a member thereof, subject to the provisions of Section 18.01 of these Bylaws concerning the Architectural Control Committee.

17.04 Chairman. One member of each committee shall be appointed chairman by the President of the Association.

17.05 Vacancies. Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of the original appointments, subject to the provisions of section 18.01 of these Bylaws concerning the Architectural Control Committee.

17.06 Quorum. Unless otherwise provided in the resolution of the Board of Trustees designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

17.07 Rules. Each committee may adopt rules for its own government not inconsistent with these Bylaws or with rules adopted by the Board of Trustees.

ARTICLE XVIII. NONPROFIT ASSOCIATION

18.01 Nonprofit Association. This Association is not organized for profit. No Member, member of the Board of Trustees, officer or person from whom the Association may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Association be paid as salary or compensation to, or distributed to or inure to the benefit of any member of

the Board of Trustees, officer or Member; provided, however, always (1) that reasonable compensation may be paid to any Member, director or officer while acting as an agent or employee of the Association for services rendered in effecting one or more of the purposes of the Association, and (2) that any Member, director or officer may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

ARTICLE XIX. EXECUTION OF DOCUMENTS

19.01 Execution of Documents. The persons who shall be authorized to execute any and all contracts, documents, instruments, conveyances or encumbrances, including promissory notes, shall be two, one of each of the President or any Vice President, and the Secretary or any Assistant Secretary of the Association.

ARTICLE XX. PROXY TO MORTGAGEES

20.01 Proxy to Mortgagees. Owners shall have the right to irrevocably constitute and appoint their Mortgagees, their true and lawful attorney to vote their Lot membership in this Association at any and all meetings of the Association and to vest in such beneficiary or his nominees any and all rights, privileges, and powers that they have as owners under these Bylaws of this Association or by virtue of the Declaration. Such proxy shall become effective upon the filing of a notice by the beneficiary with the Secretary or Assistant Secretary of the Association at such time or times as the beneficiary shall deem its security in jeopardy by reason of the failure, neglect, or refusal of the Association or the Owners to carry out their duties as set forth in the Declaration. Such proxy shall be valid until such time as a release of the beneficiary's deed of trust is executed and a copy thereof delivered to the Secretary or Assistant Secretary of the Association, which shall operate to revoke such proxy. Nothing herein contained shall be construed to relieve Owners or to impose upon the beneficiary of the Deed of Trust the duties and obligations of an Owner.

ARTICLE XXII. CONFLICTING OR INVALID PROVISIONS

22.01 Conflicting or Invalid Provisions. Notwithstanding anything contained herein to the contrary, should all or part of any Article of these Bylaws be in conflict with the provisions of the Texas Nonprofit Corporation Act or any other Texas law, such Act or law shall control; and should any part of these Bylaws be invalid or inoperative for any reason, the remaining parts, so far as is possible and is reasonable, shall be valid and operative.

ARTICLE XXIII. NOTICES

23.01 Notices. All notices to Members of the Association shall be given by delivering the same to each Owner in person or by depositing the notices in the U.S. Mail, postage prepaid, addressed to each Owner at the address last given by each Owner to the Secretary of the Association. If an Owner shall fail to give an address to the Secretary for mailing of such notices, all such notices shall be sent to the Lot of such Owner, and all Owners shall be deemed to have been given notice of the meetings upon the proper mailing of the notices to such addresses irrespective of the actual receipt of the notices by the Owners.

ARTICLE XXIV. AVAILABILITY OF DOCUMENTS

The Association shall maintain current copies of the Articles of Incorporation, the Declaration, these Bylaws, and all rules, regulations and other pertinent documents, including its books, records and financial statements. All such documents shall be made available for inspection by Owners, mortgage holders, insurers and guarantors of first mortgages that are secured by Lots during normal business hours or at other reasonable times.

By our signatures hereto the undersigned, being all of the Trustees of the Association, hereby adopt the foregoing Bylaws for the Association as of the 9 day of September, 1996.

THE BOARD OF TRUSTEES OF WILLOW
BEND SUBDIVISION UNIT THREE PROPERTY
OWNERS' ASSOCIATION

By 
Russell Hanson, Trustee

By 
Warren Kirwin, Trustee

By 
Rick Cordova, Trustee