

BYLAWS OF VILLA ESPANOLA II HOMEOWNERS ASSOCIATION, INC.,
A TEXAS NON-PROFIT CORPORATION

ARTICLE I
NAME

1.1 NAME. The name of the corporation shall be VILLA ESPANOLA II HOMEOWNERS ASSOCIATION, INC., hereinafter referred to as the "Corporation."

ARTICLE II
DEFINITIONS AND TERMS

2.1 DEFINITIONS. Capitalized terms used in these Bylaws, unless otherwise defined herein, shall have the same meaning as such terms have in the Declaration (the "Declaration") of Covenants, Conditions, and Restrictions, Easements, Charges, and Liens of Villa Espanola II, a subdivision in El Paso County, Texas. These shall include, but not be limited to:

- a) "Annual Assessment" shall have the meaning specified in Article V below.
- b) "Assessable Property" shall mean and refer to each and every lot, parcel and tract within the entire Properties which: (i) the Declarant has subjected to and imposed upon a set of restrictive covenants calling for, *inter alia*, the payment of an Annual Assessment to the Corporation; (ii) may have been or will be given a separately identifiable tax or parcel number by the Central Appraisal District ("CAD") or a similar governmental agency; (iii) is not designated an "open space" or otherwise a portion of the Common Properties. The Declarant proposes to cause each residential Lot within the Properties to constitute an Assessable Property. However, the Declarant reserves the right and discretion to include or exclude any non-residential Lot from the concept of "Assessable Property" and/or to prescribe a different assessment and/or valuation scheme(s) for any non-residential Lot which is subjected to covenants which require the payment of assessments to the Corporation.
- c) "Board" shall mean and refer to the Board of Directors of the Corporation.
- d) "Bylaws" shall mean and refer to this particular document entitled "Bylaws of Villa Espanola II Homeowners Association, Inc., a Texas Non-Profit Corporation, as adapted and amended from time to time in accordance with the provisions of the Texas Non-Profit Corporation Act.
- e) "Central Appraisal District" ("CAD") shall mean and refer to the governmental and/or quasi-governmental agency(ies) (including without limitation the Central Appraisal District of El Paso County, Texas) established in accordance with Texas Property Tax Code Section 6.01 et seq. (And its successor and assigns as such law may be amended from time to time) or other similar statute which has, as one of its purposes and functions, the establishment of an assessed valuation and/or fair market value for various lots, parcels and tracts of land in El Paso County, Texas.
- f) "Certificate of Formation" shall mean and refer to the Certificate of Formation (and any amendments thereto and restatements thereof) of the Corporation on file in the Office of the Secretary of State of the State of Texas in Austin, Texas.
- g) "Common Properties" shall mean and refer to any and all areas of land within the Properties which are known, described or designated as common areas, parks, recreational easements,

detention basins, desilting ponds, stilling ponds, perimeter fences and columns, monuments and directional signs, landscape easements, greenbelts, open spaces, paths and trails, including without limitation those shown on any recorded subdivision plat of portions of the Properties, if any, as well as those not shown on a recorded subdivision plat but which are intended for or devoted to the common use and enjoyment of the Members of the Corporation, together with any and all improvements that are now or that may hereafter be construed thereon. The Declarant reserves the right to use, during the Development Period, portions of the Common Properties (e.g. a sales information center) for business matters directly and indirectly related to Villa Espanola II Subdivision. The concept of Common Properties will also include: (i) any and all public right-of-way lands for which the City of El Paso has required that the Declarant and/or the Corporation expend private, non-reimbursable time and monies to care for and maintain, such as but not limited to: street medians, streetscape, hike and bike trails, park areas and quasi-governmental service facilities; and (ii) any and all facilities provided by the Declarant and/or the Corporation to or for the benefit of the local police, fire and similar governmental departments for which no reimbursement via public funds is required or anticipated. Declarant shall convey record title to some or all of the Common Properties to the Corporation if, as and when deemed appropriate by Declarant or as may be required by governmental officials, and Declarant shall at all times have and retain the right to effect minor redesigns or minor reconfigurations of the Common Properties (particularly along the edges).

h) "Consumer Price Index" ("CPI") shall mean and refer to the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for All Urban Consumers (El Paso Area). In the event the compilation and/or publication of the CPI shall be substantially revised, transferred to any other governmental department or bureau or agency, or shall be discontinued, then the index (or a substitute procedure which reasonably reflects and monitors fluctuations in consumer prices) most nearly the same as the CPI shall be used to make the calculations envisioned herein, or in the event no such alternative index exists or a dispute arises concerning the selection of such alternative index, the Board shall have the final right and power to select and/or formulate such an alternate index.

i) "Corporation" shall mean and refer to Villa Espanola II Homeowners Association, Inc., a non-profit Texas corporation which has the power, duty and responsibility of maintaining and administering certain portions of the Properties and all of the Common Properties, administering and enforcing the Covenants and otherwise maintaining and enhancing the quality of life within Villa Espanola Subdivision.

j) "Covenants" shall mean and refer to all covenants, conditions, restrictions, easements, charges and liens set forth within these Bylaws and/or the Declaration.

k) "Declarant" shall mean and refer to Enrique Escobar and Suleiman Masoud, and any or a successor(s) and assign(s) of Declarant. However, no person or entity merely purchasing one or more Lots from Declarant in the ordinary course of business shall be considered a "Declarant."

l) "Declaration" shall mean and refer to the instrument entitled "Declaration of Covenants, Conditions, Restrictions, Easements, Charges and Liens on and for Villa Espanola Subdivision, a subdivision in El Paso County, Texas," together with any and all amendments or supplements thereto.

m) "Deed" shall mean and refer to any deed, assignment, testamentary bequest, instrument of title or other instrument, or intestate inheritance and succession, conveying or transferring fee simple title or a leasehold interest or another legally recognized estate in a Lot.

n) “Design Guidelines” shall mean and refer to those particular standards, restrictions guidelines, recommendations and specifications applicable to most of the aspects of construction, placement, location, alteration, maintenance and design of any improvements to or within the Properties, and all amendments, bulletins modifications, supplements and interpretations thereof. The initial Design Guidelines are attached hereto as Exhibit “A.”

o) “Development Period” shall mean a period commencing on the date of the recording of the Declaration in the public real estate records of El Paso County, Texas and continuing thereafter until the ending the earlier to occur of: (i) substantial completion of all development within the Properties as determined by the Declarant, and sale of all Lots by the Declarant; or (ii) the tenth (10th) anniversary of the date of recordation of the Declaration in the public real estate records of El Paso County, Texas; or (iii) Declarant’s recordation in the real property records of El Paso County, Texas of an instrument specifying the end of the Development Period at such earlier date than otherwise established by (ii) above, in Declarant’s sole and absolute discretion.

p) “Exempt Property” shall mean and refer to the following portions of the Properties: (i) all land and Improvements owned by the United States of America, the State of Texas, El Paso county, The City of El Paso, or any instrumentality, political subdivision or agency of any such governmental entity acting in a governmental (rather than a proprietary) capacity; (ii) all land and Improvements owned (including legal and beneficiary ownership, whether now or in the future) by the corporation or constituting a portion fo the Common Properties; (iii) all land and Improvements which are not only exempt from the payment of ad valorem real property taxes by the City of El Paso, the El Paso Independent School District, and the State of Texas, but also are exempt from the payment of any assessments hereunder as expressly determined by written resolution fo the Declarant and/or the corporation; and (iv) such other land(s) and/or Improvement(s) and/or Lot(s) which are specifically exempted from the payment of Annual Assessments in accordance with a special resolution fo the Board.

q) “Homebuilder” shall mean and refer to each entity and/or individual which: (i) is regularly engaged in the ordinary business of constructing residential dwellings on subdivision lots for sale to third-party homeowners as their intended primary residence; and (ii) has entered into a contract with the Declarant to purchase one or more Lots.

r) “Improvement” shall mean any physical change to raw land or to an existing structure which alters the physical appearance, characteristics or properties of the land or structure, including but not limited to adding or removing square footage area space to or from a structure, painting or repainting a structure, or in any way altering the size, shape or physical appearance of any land or structure.

s) “Lot” shall mean and refer to each separately identifiable portion of the Assessable Property which is platted filed and recorded in the Office of the County Clerk of El Paso County, Texas, and which is assessed by any one or more of the taxing authorities and which is not intended to be an “open space” or a portion of the Common Properties.

t) “Member” shall mean and refer to each Resident who is in good standing with the Corporation and who has filed a proper statement of residency with the Corporation and who has complied with all directives and requirements of the Corporation. Each and every Owner shall and must take such affirmative steps as are necessary to become and remain a Member of, and in good standing in, the Association. Each and every Resident (who is not otherwise an Owner) may, but is not required to, be a Member of the Corporation.

u) "Payment and Performance Lien" shall mean and refer to the lien described in the Declaration.

v) "Properties" shall mean and refer to: (i) the Lots described in the Preamble hereinabove; and (ii) the other land within the Subdivision, including but not limited to the Common Properties.

w) "Resident" shall mean and refer to:
(i) each owner of the fee simple title to any Lot within the Properties;
(ii) each person residing on any part of the Assessable Property who is a bona-fide lessee pursuant to a legally cognizable lease agreement with an Owner; and
(iii) each individual lawfully domiciled in a dwelling unit other than an Owner or bona-fide lessee.

x) "Subdivision" shall mean and refer to Villa Espanola II Subdivision, a subdivision of certain land in El Paso County, Texas, according to the plat or map thereof recorded in the Plat Records of El Paso County, Texas, as well as any and all amendments, revisions, modifications, corrections or clarifications thereto.

ARTICLE III ORGANIZATION AND PURPOSES

3.1 ORGANIZATION. The Corporation is organized and shall be operated, to the extent permitted by applicable law, as a homeowners association within the meaning of Section 528 of the Internal Revenue Code of 1986, as amended. The Corporation is formed in connection with the development of and the sale of single-family residences and other improvements constructed on the Property.

3.2 PURPOSES. The primary purposes for which the Corporation is formed are to act as the agent of the Owners of the Property pursuant to the provisions of the Declaration, as follows:

a) To enforce the restrictive covenants (or such other similar restrictions) that may now or hereafter affect all of any portion of the Property;

b) To enforce the Declaration and any rules made thereunder and to enjoin and to seek damages from any Owner for violation of such provisions or rules;

c) To exercise all of the powers and privileges and to perform the duties and obligations which are vested in the Corporation by the Declaration;

d) To enforce applicable provisions of these Bylaws and any rules and regulations of the Corporation;

e) 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 the Corporation in accordance with the terms of the Declaration;

f) To have and to exercise any and all powers, rights and privileges, including delegation of powers as permitted by law, which the Corporation under the Texas Business Associations Code may now or hereafter have or exercise;

g) To acquire (by purchase, grant or otherwise), annex and merge, own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Corporation;

h) Subject to the provisions of the Certificate of Formation and these Bylaws, to borrow money and to mortgage, pledge or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred in connection with the affairs of the Corporation;

i) To promote the common good, health, safety and general welfare of the residents within the Property covered by the Declaration and, insofar as permitted by law, to do any other thing that, in the opinion of the Board of Directors, will promote the common benefit and enjoyment of the Owners and occupants of the Property, or for the operation or protection of the Corporation or for the enforcement of the Declaration;

j) To make assessments to pay for all costs and expenses necessary to manage, operate and perform the duties and functions of the Board of Directors and the Corporation set forth in the Declaration and to establish a reasonable reserve fund as determined by the Board of Directors;

k) To make assessments to pay for the costs of enforcing, and to enforce, some or all recorded restrictive covenants (or other such similar restrictions) that may now or hereafter affect all or any portion of the Property;

l) To make assessments to pay for the costs of providing one or more security guards (and any incidental booths, gates or other security equipment) deemed necessary by the Corporation to provide enhanced security for the Property; and

m) To fix, levy, collect and enforce payment, by any lawful means, all charges or assessments provided for by the terms of the Declaration and the Bylaws; to pay all expenses in connection therewith, including attorneys and accountants were appropriate, and all office and other expenses incident to the conduct of the business of the Corporation and to make disbursements, expenditures and payments on behalf of the Owners as required by the Declaration and the Bylaws; and to hold, as agent for the Owners, reserves for periodic repairs and improvements to be made as directed by the Owners acting through the Board of Directors.

3.3 ASSOCIATION OBLIGATIONS. The Association and its Board of Directors shall never be under any obligation to enforce the covenants, conditions or restrictions of the Declaration or any other recorded restrictive covenants that may now or hereafter affect all or any portion of the Property, and any failure to so enforce shall never give rise to any liability on the part of the Association or its Board of Directors.

3.4 MEMBER/USER OBLIGATIONS. All present or future Members of the Association and all tenants of any such Members shall be subject to the regulations set forth in these Bylaws and the policies and regulations established by the Board of Directors.

ARTICLE IV
MEMBERSHIP AND VOTING RIGHTS

4.1 MEMBERSHIP. Each and every Owner of each and every Lot shall automatically be, and must at all times remain, a Member of the Corporation in good standing. Each and every Resident (who is not otherwise an Owner) may, but is not required to, be a non-voting Member of the Corporation. During the Development Period, the Corporation shall have two (2) classes of Members: Class A and Class B. The Class A Members shall include: (a) all Owners (other than the Declarant during the Development Period); and (b) all Residents (not otherwise Owners) who have properly and timely fulfilled all registration and related requirements prescribed by the Corporation. The Class B Member shall be the Declarant. Upon conclusion of the Development Period, the Class B membership shall terminate and the Declarant shall become a Class A Member.

Each Owner, including Declarant, automatically is a member of the Corporation. Membership in the Corporation is appurtenant to, and cannot be separated from ownership of a Lot. Any transfer of title to any Lot shall automatically transfer membership in the Corporation to the new Owner, provided, however, such transfer to a new Owner shall not relieve or release the transferring Owner from any liability or obligation incurred in connection with the Corporation or the Owner's Lot during the period of such ownership and membership in the Corporation, or impair any rights or remedies which the Board of Directors or otherwise may have against such Owner in connection with such ownership and membership and the covenants and obligations incident thereto. No certificates of stock shall be issued by the Corporation, but the Board of Directors, if it so elects, may issue one membership card per Lot to the Owner(s) of a Lot. Such membership card shall be surrendered to the Secretary of the Corporation whenever ownership of the Lot designated therein is terminated.

4.2 VOTING RIGHTS. There shall be two (2) classes of voting Members during the Development Period:

Class A: The Owner(s) of each Lot shall be entitled to one (1) vote per Lot. Where more than one (1) Owner owns and holds a record fee interest in a Lot, such Owner(s) may divide and cast portions of the one (1) vote as they decide, but in no event shall any one (1) lot yield more than one (1) vote.

Class B: The Class B Member shall have one (1) vote for each Lot it owns.

After the Development Period ends, there shall be only one (1) class of voting Member, as is provided in Section 4.1 of these Bylaws.

Any Owner, Resident or Member shall not be in "good standing" if such person or entity is (a) in violation of any portion the Declaration, the Bylaws, the Design Guidelines, or any rule or regulation promulgated by the Board; (b) delinquent in the full, complete and timely payment of any Annual Assessment, special assessment, or any other fee, charge or fine which is levied, payable or collectible pursuant to the provisions of the Declaration, the Bylaws, or any rule or regulation promulgated by the Board.

The Board may determine the good standing of any Member at any time and shall make such determination with respect to all Members prior to any vote being taken by the Corporation. Any Member not declared by the Board to be in good standing shall not be entitled to vote on matters before the Corporation until the Board finds such Member to be in good standing.

4.3 MAJORITY. As used in these Bylaws, the term "Majority Vote of the Members" means, at the time such vote is taken, the vote of Member in good standing holding, in the aggregate, a majority of the votes eligible to be cast by all of the Members in good standing present or voting by legitimate proxy at a called meeting at which a quorum of the Members in good standing is present.

4.4 QUORUM. Except as otherwise provided herein, Members holding 50% of the aggregate votes entitled to be cast by all Members in good standing, all of whom shall be represented at a meeting of the Members in person or by legitimate proxy, shall constitute a quorum for voting on matters brought before the Members at duly called meetings of the Corporation. A majority of those votes entitled to be cast by the Members in good standing or voting by legitimate proxy at a duly called meeting at which a quorum of the Members in good standing is present shall be the act of the Members.

4.5 PROXIES. Votes may be cast in person or by proxy in a form approved by the Board. Proxies must be filed with the Secretary of the Corporation before the appointed time of each meeting.

ARTICLE V FEES AND ASSESSMENTS

5.1 PAYMENT OF ASSESSMENTS. The Owner of a Lot, by acceptance of a deed or other conveyance document (whether or not any agreement to pay assessments is included in such deed or document), shall be deemed to covenant and agree to pay to the Corporation, or to any person or entity designated by the Corporation, at the address and in the manner designated by the Board of Directors, regular assessments, special group assessments, special individual assessments, and special transfer assessments. Each such assessment, together with any interest, costs and reasonable attorneys' fees provided for under these Bylaws, shall be the personal obligation of the person who is the Owner of a Lot at the time the assessment falls due. The personal obligation for delinquent assessments shall not pass to a successor in title to such Owner unless expressly assumed by such successor.

5.2 REGULAR ASSESSMENTS. "Regular Assessments" shall be determined and allocated on a calendar year basis. The assessments levied by the Corporation shall be used for the purpose of promoting the comfort, health, recreation, safety, convenience, welfare and quality of life of the residents of the Properties and in supplementing some services and facilities normally provided by or associated with governmental or quasi-governmental entities, and otherwise for the improvement and maintenance of greenbelt easements, floodway easement areas, walkways, common green, hike and bike trails, ponds, lakes, recreational areas and other properties, services and facilities devoted and related to the use and enjoyment of the Common Properties and operation of the Corporation, including, but not limited to or for: the payment of taxes on the Common Properties and insurance in connection with the Common Properties; the payment for utilities and the repair, replacement and additions of various items within the Common Properties; paying the cost of labor, equipment (including the expense of leasing any equipment) and materials required for, and management and supervision of, the Common Properties; carrying out the duties of the Board of Directors of the Corporation as set forth herein; carrying out the other various matters set forth or envisioned herein, or as amended; and for any matter or thing designated by the City of El Paso in connection with any zoning, subdivision, platting, building, development or occupancy requirements. The items and areas described above are not intended to be exhaustive, but merely illustrative.

The Board of Directors shall fix a maximum initial regular base assessment per Lot per year. The Corporation's Board of Directors may annually fix the actual regular base assessment at an amount equal to or less than the maximum regular base assessment. The Corporation's Board of Directors may establish a

time-price differential schedule for the payment of the regular assessment in which the lowest amount is the actual regular base assessment.

The Board of Directors may be permitted to increase the maximum Annual Assessment without a vote of the Members, but such an adjustment should not exceed five percent (5%) of the previous year's maximum Annual Assessment, or the change in the Consumer Price Index, whichever is greater. The annual maximum assessment may not be otherwise increased without the assent of at least two-thirds of each class of Members at a meeting called for that purpose with at least 60% of the Lot Owners (or their proxies) present after adequate notice. If 60% do not attend, a second meeting may be called with the same notice and the quorum may be reduced to 30%.

The Board shall not increase the Annual Assessment except pursuant to this Section, and shall not take formal action on or impose a cost of living increase in the Annual Assessment more than once in any fiscal year. Any such cost of living increase in the Annual Assessment shall thereafter remain in effect indefinitely; and any increase shall not be deemed to limit the Board's authority to increase the Annual Assessment in succeeding years, provided, however, that any further increases are made in accordance with this Section. Each and every meeting of the Board in which final action on an Annual Assessment or special group assessment is taken shall be open to the Owners.

Notwithstanding any provision herein to the contrary, any and all Lots owned by the Declarant during the Development Period shall be exempt from the payment of any and all assessments of any kind or character.

5.3 SPECIAL GROUP ASSESSMENTS. With the approval of a Majority Vote of the Class A Members, the Board may levy at any time by written notice to the Owners "Special Group Assessments" to pay expenses that normally would have been paid by Regular Assessments. Special Group Assessments shall be allocated among Owners (including the Declarant) in the same manner as Regular Assessments are allocated.

5.4 SPECIAL INDIVIDUAL ASSESSMENTS. The Board may levy at any time by written notice to an Owner "Special Individual Assessments" against such Owner to pay any costs or expenses if such costs or expenses are determined by the Board to have been caused, directly or indirectly, by the acts or omissions of such Owner, or its agents, employees, occupants or visitors.

5.5 DUE DATE OF ASSESSMENTS. Regular Assessments shall be payable annually within 30 days after an invoice is delivered by the Corporation to an Owner; provided however, the Board may require payment of Regular Assessments more frequently than annually. The due date of any Special Group Assessments or Special Individual Assessments shall be fixed in the written notice levying such Assessment; provided, however, such due date shall not be earlier than 15 days after the date of such notice. Each Owner, if required by any holder of a first lien on the Lot owned by such Owner, shall pay any Assessments to such lien holder as part of the escrow amounts included in monthly mortgage payments.

5.6 PERSONAL OBLIGATION FOR PAYMENT OF ASSESSMENT. The Assessments shall be personal obligations of the Owner(s) of each Lot. No Owner may exempt himself from liability for Assessments. In the event an Owner does not pay an Assessment in full when due, such Owner shall pay interest on such unpaid Assessment from the due date until paid at the rate of ten percent (10%) per annum, together with all costs and expenses of collection incurred by the Corporation, including, but not limited to,

reasonable attorneys' fees. The Board may reject any partial payment and demand full payment, or the Board may accept partial payment without waiving any rights to the remaining balance. The obligation of the Owner(s) to pay Assessments with respect to a Lot made for any period of time that an Owner owns the Lot shall remain the personal obligation of such Owner, and such obligation shall not pass to transferees from such Owners unless expressly assumed by such transferees; provided, however, the lien for Assessments provided for below shall be unaffected by the transfer of any ownership interest in a Lot. In the event of any transfer of any ownership interest in a Lot, it shall be the obligation of the transferring Owner(s) to disclose the existence of all sums due and owing the Corporation to the transferee, the title company designated to handle such transaction, the financing entity, and any other party involved in such transaction, and such disclosure shall be given in writing at least 15 days before the date on which such transaction is to be consummated. A copy of such disclosure shall also be sent to the Corporation at the same time. A former Owner shall not be liable for Assessments made with respect to a Lot after such person no longer is the Owner of such Lot.

5.7 RATE OF ASSESSMENT. Both Regular and Special Group Assessments must be fixed at a uniform rate for all residential Lots owned by Class A Members who are not Homebuilders, unless otherwise approved by at least three-fourths of the individuals comprising the Board. The Declarant shall have the right to collect \$150.00 per Lot from each Homebuilder to cover the first six (6) months (one-half the normal rate) from and after the closing of each particular Lot, and thereafter the Homebuilder shall pay the standard Regular Assessment for such Lot.

5.8 DATE OF COMMENCEMENT OF ASSESSMENTS; DUE DATES. The Annual Assessment shall be due and payable in full in advance on the first day of each calendar year and shall, if not automatically paid within thirty (30) consecutive calendar days thereafter, automatically become delinquent. The Board shall use reasonable efforts to provide each Owner with an invoice statement of the appropriate amount due, but any failure to provide such a notice shall not relieve any Owner of the obligation established by the preceding sentence. The Board may (but is not required to), however, prescribe time-price differential payment schedules which would permit the collection of an amount greater than the Annual Assessment on a semi-annual, quarterly or monthly basis provided that the creditworthiness of the Owner was acceptable to the Board and the inconvenience to the staff of the Corporation for additional invoicing and collection efforts was minimized or eliminated. The Board may further prescribe: (a) procedures for collecting advance regular Annual Assessments from new Owners, Members or Residents out of "closing transactions"; and (b) different procedures for collecting assessments from Owners who have had a recent history of being untimely in the payment(s) of Assessments.

5.9 DUTIES OF THE BOARD OF DIRECTORS WITH RESPECT TO ASSESSMENTS.

a) In the event of a revision to the amount or rate of the Annual Assessment, or establishment of a Special Group Assessment, the Board shall fix the amount of the assessment against each Lot, and the applicable due date(s) for each assessment, at least sixty (60) days in advance of such date or period and shall, at that time, prepare a roster of the Lots and Assessments applicable thereto which shall be kept in the office of the Corporation.

b) Written notice of the applicable Assessment shall be actually or constructively furnished to every Owner subject thereto in accordance with the procedures then determined by the Board as being reasonable and economical; and

c) The Board shall, upon reasonable demand, furnish to any Owner originally liable for said Assessment, a certificate in writing signed by an officer of the Corporation, setting forth whether said Assessment has been paid. Such certificate shall be conclusive evidence of payment of any Assessment therein stated to have been paid. A reasonable charge may be made by the Board for the issuance of such certificate.

5.10 EFFECT OF NON-PAYMENT OF ASSESSMENT; THE PERSONAL OBLIGATION OF THE OWNER; THE LIEN; AND REMEDIES OF CORPORATION

a) Effective as of, and from and after the filing and recordation of the Declaration, there shall exist a self-executing and continuing contract payment and performance lien and equitable charge on each Lot to secure the full and timely payment of each and all Assessments and all other charges and monetary amounts and performance obligations due hereunder. Such lien shall be at all times superior to any claim of homestead by or in any Owner. If any Assessment, charge or fine or any part thereof is not paid on the date(s) when due, then the unpaid amount of such Assessment, charge or fine shall (after the passage of any stated grace period) be considered delinquent and shall, together with any late charge and interest thereon at the highest lawful rate of interest per annum and costs of collection thereof, become a continuing debt secured by the self-executing Payment and Performance Lien described in the Declaration on the Lot of the nonpaying Owner/Member/Resident which shall bind such Lot in the hands of the Owner and the owner's heirs, executors, administrators, devisees, personal representatives, successors and assigns. The Corporation shall have the right to reject partial payments of an unpaid Assessment or other monetary obligation and demand the full payment thereof. The personal obligation of the then-existing Owner to pay such Assessment, however, shall remain the Owner's personal obligation and shall not pass to Owner's successors in title unless expressly assumed by them. However, the lien for unpaid Assessments shall be unaffected by any sale or assignment of a Lot and shall continue in full force and effect. No Owner may waive or otherwise escape liability for any Assessment provided herein by the non-use of the Common Properties or abandonment of the Lot. No diminution or abatement of Assessments shall be claimed or allowed by reason of any alleged failure of the Corporation to take some action or to perform some function required to be taken or performed by the Corporation, or for inconvenience or discomfort arising from the making of improvements or repairs which are the responsibility of the Corporation, or from any action taken by the Corporation to comply with any law, ordinance, or with any order or directive of any municipal or other governmental authority, the obligation to pay such Assessments being a separate and independent covenant on the part of each Owner.

b) The Corporation may also given written notification to the holder(s) of any mortgage on the Lot of the non-paying Owner of such Owner's default in paying any Assessment, charge or fine, particularly where the Corporation has theretofore been furnished in writing with the correct name and address of the holder(s) of such mortgage, a reasonable supply of self-addressed postage prepaid envelopes, and a written request to receive such notification.

c) If any assessment, charge or fine or part thereof is not paid when due, the Corporation shall have the right and option to impose a late charge (but only to the extent permitted by applicable law) to cover the additional administrative costs involved in handling the account and/or to reflect any time-price differential assessment adopted by the Corporation. The unpaid amount of any such delinquent assessment, charge or fine shall bear interest from and after the date when due at the highest lawful rate of interest per annum until fully paid. If applicable state law provides or requires an alternate ceiling under Chapter 303 of the Texas Finance Code, then that ceiling shall be the monthly rate ceiling. The Corporation may, at its election, retain the services of an attorney to review, monitor and/or collect unpaid

assessments, charges, fines and delinquent accounts, and there shall also be added to the amount of any unpaid assessment, charge, fine or any delinquent account any and all attorneys' fees and other costs of collection incurred by the Corporation.

d) The Corporation may, at its discretion but subject to all applicable debt collection statutes: (i) prepare and file a lien affidavit in the public records of El Paso County, Texas which specifically identifies the unpaid assessments, charges or fines; and (ii) publish and post, within one or more locations within the Properties, a list of those individuals or entities who are delinquent and, if applicable, their suspended use and enjoyment of the Common Properties until and unless the delinquency has been cured to the reasonable satisfaction of the Corporation. Each Owner consents to these procedures and authorizes the Board to undertake such measures for the general benefit of the Corporation.

e) All agreements between the Owner and the Corporation and/or Declarant, whether now existing or hereafter arising and whether written or oral and whether implied or otherwise, are hereby expressly limited so that in no contingency or event whatsoever shall the amount paid, or agreed to be paid, to the Corporation and/or Declarant or for the payment or performance of any covenant or obligation contained herein or in any other document exceed the maximum amount permissible under applicable law. If from any circumstance whatsoever fulfillment of any provision hereof or of such other document at the time performance of such provisions shall be due, shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance the Corporation and/or Declarant should ever receive an amount deemed interest by applicable law which shall exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the actual base assessment amount or principal amount owing hereunder and other indebtedness of the Owner to the Corporation and/or Declarant and not to the payment of interest or, if such excessive interest exceeds the unpaid balance of the actual Annual Assessment hereof and such other indebtedness, the excess shall be refunded to Owner. All sums paid or agreed to be paid by any Owner for the use, forbearance or detention of any indebtedness to the Corporation and/or Declarant shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the interest charged, collected or received on account of such indebtedness is never more than the maximum amount permitted by applicable law. The terms and provisions of this paragraph shall control and supersede every other provision of all agreements between any Owner and the Corporation and/or Declarant.

5.11 POWER OF SALE. The lien described within the preceding Section is and shall be a contract Payment and Performance Lien. Each Owner, for the purpose of securing each and all monetary obligations described within these Covenants, and in consideration of the benefits received and to be received by virtue of the ownership of real estate within NAME/SUBDIVISION Subdivision, has granted, sold and conveyed and by these covenants does grant, sell and convey unto the trustee, such Owner's Lot, to have and to hold such Lot, together with the rights, privileges and appurtenances thereto belonging unto the said trustee, and to its substitutes or successors forever. Each Owner does hereby bind himself/herself/itself, his/her/its heirs, executors, administrators, successors and assigns, forever, against the claim or claims of all persons claiming or to claim the same or any part thereof.

This conveyance is made in trust to secure payment of each and all Assessments and other obligations prescribed by these Covenants to and for the benefit of the Corporation as the Beneficiary. In the event of default in the payment of any obligation hereby secured, in accordance with the terms thereof, then and in such event, Beneficiary may elect to declare the entire indebtedness hereby secured with all interest accrued thereon and all other sums hereby secured due and payable (subject, however, to the notice

and cure provisions set forth in Section 51.002 of the Texas Property Code), and in the event of default in the payment of said indebtedness when due or declared due, it shall thereupon, or at any time thereafter, be the duty of the Trustee, or its successor or substitute as hereinafter provided, at the request of beneficiary (which request is hereby conclusively presumed), to enforce this trust; and after advertising the time, place and terms of the sale of the Lot then subject to the lien hereof, and mailing and filing notices as required by Section 51.002, Texas Property Code, as then amended, and otherwise complying with the statute, the Trustee shall sell the Lot, then subject to the lien hereof, at public auction in accordance with such notices on the first Tuesday in any month between the hours of 10:00 A.M. and 4:00 P.M., to the highest bidder for cash, selling all of the Lot as an entirety or in such parcels as the Trustee acting may elect, and make due conveyance to the Purchaser or Purchasers, with general warranty binding upon the Owner, his/her/its, heirs, successors and assigns; and out of the money arising from such sale, the Trustee acting shall pay first, all the expenses of advertising the sale and making the conveyance, including a reasonable commission to itself, which commission shall be due and owing in addition to the attorney's fees provided for, and then to Beneficiary the full amount of principal, interest, attorney's fees, and other charges due and unpaid on said indebtedness secured hereby, rendering the balance of the sale price, if any, to the Owner, his/her/its heirs, successors, or assigns, and/or to any other lienholders (if so required by applicable law); and the recitals in the conveyance to the Purchaser or Purchasers shall be full and conclusive evidence of the truth of the matter therein stated, and all prerequisites to said sale shall be presumed to have been performed, and such sale and conveyance shall be conclusive against the Owner, his/her/its heirs, executors, successors and assigns.

It is agreed that in the event a foreclosure hereunder should be commenced by the Trustee, or its substitute or successor, Beneficiary may at any time before the said of said property direct the said Trustee to abandon the sale, and may then institute suit for the collection of said indebtedness, and for the foreclosure of this contract Payment and Performance Lien; it is further agreed that if Beneficiary should institute a suit for the collection thereof, and for a foreclosure of this contract lien, that it may at any time before the entry of a final judgment in said sit dismiss the same, and require the Trustee, its substitute or successor, to sell the Lot in accordance with the provisions of this Section. Beneficiary, if it is the highest bidder shall have the right to purchase at any sale of the Lot, and to have the amount for which such Lot is sold credited on the debt then owing. Beneficiary in any event is hereby authorized to appoint a substitute trustee, or a successor trustee, to act instead of the Trustee named herein without other formality than the designation in writing of a substitute or successor trustee; and the authority hereby conferred shall extend to the appointment of other successor and substitute trustees successively until the indebtedness hereby secured has been paid in full, or until said Lot is sold hereunder, and each substitute and successor trustee shall succeed to all of the rights and powers of the original trustee named herein. In the event any sale is made of the Lot, or any portion thereof, under the terms of this Section, the Owner, his/her/its heirs, executors, successors and assigns, shall forthwith upon the making of such sale surrender and deliver possession of the property so sold to the Purchaser at such sale, and in the event of his/her/its failure to surrender possession of said property upon demand, the Purchaser, his/her/its heirs, successors, or assigns, shall be entitled to institute and maintain an action for forcible detainer of said property in the Justice of the Peace Court in the Justice Precinct in which such property, or any part thereof, is situated. The foreclosure of the continuing contract lien on any one or more occasions shall not remove, replace, impair or extinguish the same continuing lien from securing all obligations arising from and after the date of foreclosure.

5.12 SUBORDINATION OF LIEN TO MORTGAGES. The lien securing the payment of the Assessments and other obligations provided for herein shall be superior to any and all other charges, liens or encumbrances which may hereafter in any manner arise or be imposed upon any Lot, whether arising from or imposed by judgment or decree or by any agreement, contract, mortgage or other instrument except for:

a) bona-fide first mortgage or deed of trust liens for purchase money and/or home improvement purposes placed upon a Lot including without limitation, institutional mortgage and eligible mortgages, in which event the Corporation's lien shall automatically become subordinate and inferior to such first lien;

b) liens for taxes or other public charges as are by applicable law made superior to the Corporation's lien; and

c) such other liens about which the Board may in the exercise of its reasonable discretion, elect to voluntarily subordinate the Corporation's lien;

provided, however, such subordination shall apply only to: (i) the Assessments which have been due and payable prior to the foreclosure sale (whether public or private) of such Lot pursuant to the terms and conditions of any such first mortgage or deed of trust lien or tax lien; (ii) the permitted lien is on the Lot alone and not on or to any easement appurtenant for use and enjoyment of the Common Properties. Such sale shall not relieve such Lot from liability for the amount of any Assessment thereafter becoming due nor from the lien of any such subsequent Assessment. Such subordination shall not apply where the first mortgage or deed of trust or tax lien is used as a device, scheme or artifice to evade the obligation to pay Assessments and/or to hinder the Corporation in performing its functions hereunder.

5.13 EXEMPT PROPERTY. The following property otherwise subject to the Declaration and/or these Bylaws shall be exempted from any Assessments, charge(s) and/or lien(s) created herein:

a) all properties dedicated to and accepted by a local public or governmental authority;

b) Common Properties; and

c) Exempt Property.

ARTICLE VI ADMINISTRATION

6.1 CORPORATION RESPONSIBILITIES. The Members will constitute the Corporation. The responsibilities and affairs of the Corporation will be administered through a Board of Directors. In the event of any dispute or disagreement between any Members relating to the Property, or any questions of interpretation or application of the provisions of the Declaration or the Corporation Documents, such dispute or disagreement shall be submitted to the Board except as otherwise provided in the Declaration. The determination of such dispute or disagreement by the Board shall be binding on each and all such Members.

6.2 PLACE OF MEETINGS. All annual and special meetings of the Corporation shall be held at the principal office of the Corporation or at such other suitable and convenient place as may be permitted by law and from time to time fixed by the Board of Directors and designated in the notices of such meetings.

6.3 ANNUAL MEETINGS. Annual meetings shall be held the second Monday of August of each year or on any other day not more than 30 days thereafter which is stipulated by resolution of the Board of Directors.

6.4 SPECIAL MEETINGS. It shall be the duty of the President of the Corporation to call a special meeting of the Members as directed by resolution of the Board of Directors or upon a petition signed by Members having not less than one-tenth of the votes entitled to be cast at such meeting and presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof.

6.5 NOTICE OF MEETINGS. The Secretary shall send notices of annual and special meetings to each Member of the Corporation, either personally, by facsimile transmission or by mail (postage prepaid), directed to the last known post office address or facsimile number of the Member, as shown on the records of the Corporation. Such notice shall be delivered not less than ten days nor more than 60 days before the date of such meeting and shall state the date, time and place of the meeting and the purpose or purposes thereof. If requested, any mortgagee of record or its designee may be entitled to receive similar notice.

6.6 ADJOURNED MEETING. If any meeting of Members cannot be organized because a quorum has not attended, the Members who are present, either in person or by proxy, may adjourn the meeting until a quorum is attained.

6.7 DELIVERY OF NOTICES TO MEMBERS. Any notice required to be delivered to a Member under these Bylaws shall be deemed delivered at the time of personal delivery or, if delivered by facsimile transmission, at the time the communication is successfully transmitted or, if delivered by mail, at the time the notice is deposited in the United States mail addressed to the Member at his or her address as it appears on the records of the Corporation, with postage thereon paid.

6.8 ORDER OF BUSINESS. The order of business at all meetings of the Members shall be as follows:

- a) Roll call;
- b) Proof of notice of meeting or waiver of notice;
- c) Reading of minutes of preceding meeting;
- d) Reports of officers;
- e) Reports of committees;
- f) Election of Directors and officers, if applicable;
- g) Unfinished business;
- h) New business.

ARTICLE VII BOARD OF DIRECTORS; ELECTION OF OFFICERS

7.1 NUMBER AND QUALIFICATION. The affairs of the Corporation shall be governed by a Board of Directors elected by a Majority Vote of the Members. Until the first annual meeting of the Members under these Bylaws, the Board of Directors shall be composed of the following persons:

NAME	ADDRESS
Suleiman Masoud	P. O. Box 220251, El Paso, TX 79913
Judith Masoud	P. O. Box 220251, El Paso, TX 79913
Enrique Escobar	301 E. Borderland, Space 73, El Paso, TX 79932

Prior to the first annual meeting of the Members, the temporary three (3) member Board of Directors shall have authority to perform the following acts, regardless of whether these Bylaws contemplate that such acts will normally be performed by the Board of Directors or an officer of the Corporation:

- a) File the Articles with the Secretary of State of Texas and adopt these Bylaws by the Corporation;
- b) Procure and maintain all necessary books and records of the Corporation;
- c) Pay all fees, expenses and costs incident to or necessary for the incorporation and organization of the Corporation;
- d) Approve and adopt the fiscal year of the Corporation;
- e) Establish and maintain such bank accounts with such banks and authorized signatories and in such cities and states as the three-member Board of Directors shall deem necessary or desirable;
- f) Approve and adopt the annual budget for the Corporation's affairs in the event City fails to adopt the District's budget or the Board determines that the District's budget is inadequate to pay for the costs of the Enhance Public Improvements;
- g) Levy, collect and enforce the Regular Assessments owing under these Bylaws;
- h) Take such other action as the three-member Board of Directors shall consider necessary or desirable for the prudent and efficient organization of the Corporation;
- i) Schedule and conduct the first annual meeting of the Members in accordance with these Bylaws;
- j) Take or cause to be taken all such further action and cause to be signed, executed, acknowledged, certified, delivered, accepted, recorded and filed all such further instruments in the name and on behalf of the Corporation as in the judgment of the three-member Board of Directors shall be necessary, desirable or advisable in order to carry out the intent of and to accomplish the purpose of the foregoing authorized acts.

Such temporary Board of Directors shall not otherwise conduct business of the Corporation. From and after the date of the first annual meeting of the Members, the Board of Directors shall be composed of seven persons, who must be members of the Corporation. Not more than one Owner of a Lot may serve on the Board of Directors at the same time.

7.2 POWERS AND DUTIES. The Board of Directors shall have the powers and duties necessary for setting, collection and disbursement of the Assessments and for the administration of the other responsibilities and affairs of the Corporation. Subject to the provisions of the preceding sentence, the Board of Directors may do all such acts and things that are not by these Bylaws or the Certificate of Formation directed to be exercised and done by the Members. Decisions of the Board of Directors shall be made by the vote of a majority of the Directors present at a meeting at which a quorum is present. The Board shall have the authority to spend the Assessment funds for:

- a) The payment of Common Expenses;
- b) The employment of personnel, consultants or contractors to manage and operate the Corporation; provided, however, the Board of Directors of the Corporation shall not receive any compensation for serving in such capacity;
- c) The purchase of a policy or policies of insurance insuring the Corporation and its directors, officers, employees and representatives against any liability incident to the management and operation of the Corporation, including any liability incident to the failure to provide any security services as contemplated by the Declaration;
- d) The purchase of fidelity bonds as provided herein;
- e) The payment of general and administrative costs necessary for the management and operation of the Corporation or for the enforcement of the Declaration or the Corporation Documents;
- f) The payment of costs incurred in the exercise and performance by the Corporation and its directors, officers, employees and representatives of their authorities, duties and rights set forth herein.

7.3 OTHER POWERS AND DUTIES. The Board of Directors shall have the following additional powers and duties:

- a) To administer and enforce the covenants, conditions, restrictions, uses, limitations, obligations and all other provisions set forth in the Declaration and any other recorded restrictive covenants that may now or hereafter affect all or any portion of the Property, to the extent permitted by applicable law and to the extent the Board of Directors elects to do so.
- b) To enter into agreements or contracts on behalf of the Corporation.
- c) To borrow funds, secured by an assignment or pledge of Assessments if required, necessary for the management and operation of the Corporation.
- d) To maintain one or more bank accounts in the name of the Corporation.
- e) To sue or to defend in any court on behalf of the Corporation.
- f) To make, or cause to be made, any tax returns, reports, or other filings on behalf of the Corporation.

g) To adjust the amount of, collect and use insurance proceeds for the purposes for which they were intended, and, if said insurance proceeds are insufficient, to provide full reimbursement through the imposition of Special Group Assessments or Special Individual Assessments, whichever is applicable, subject to obtaining the approval of a Majority Vote of the Members.

h) To enforce the provisions of the Corporation Documents.

i) To maintain books and records with respect to the business of the Corporation and with respect to the levy, collection, receipt, administration, expenditure, and disposition of Assessments and other funds of the Corporation in accordance with sound accounting practices, and to permit any Owner to inspect and copy the same upon reasonable notice during normal business hours at an office of the Corporation or the Declarant.

j) To remove or repair, as an expense of the Corporation, any improvements erected and owned by the Corporation that fall into a state of disrepair as to create a hazard to the public safety as determined by the City.

k) To perform such other duties and functions as are necessary to carry out the rights and obligations of Corporation.

l) To obtain and maintain (i) liability insurance covering directors, officers, employees and representatives of the Corporation and any and all portions of the Common Properties and the Improvements thereto, in such coverage, amounts and with such endorsements the Board considers to be necessary and reasonable; (ii) errors and omissions insurance for directors, officers, employees and representatives of the Corporation; and (iii) fidelity bonds for directors, officers, employees and representatives of the Corporation. All insurance policies shall be issued by financially sound companies licensed to do business in Texas. The Corporation shall use net insurance proceeds for the purpose the insurance was obtained, and any proceeds still remaining shall be deposited by the Corporation in its reserve fund. Should insurance proceeds be insufficient to fully satisfy any loss or damage, the Corporation may levy a Special Group Assessment or a Special Individual Assessment, whichever is applicable, to cover such deficiency.

m) To fix, determine, levy and collect the Assessments to be paid by each of the Owners; and by majority vote of the Board to adjust, decrease or increase the amount of the Regular Assessments, subject to the provisions of these Bylaws; to levy and collect Special Group Assessments in order to meet increased operating or maintenance expenses or costs, additional capital expense and Special Individual Assessments and other expenses and costs for which Special Group Assessments and Special Individual Assessments are authorized under these Bylaws. All Regular, Special or other Assessments shall be in itemized statement form and shall set forth in detail the various expenses for which the Assessments are being made.

n) To collect delinquent Assessments by suit or by any other process available under the Declaration or at law or in equity; and to enjoin or seek damages from an Owner, as provided by these Bylaws.

o) To enter into contracts within the scope of the duties and powers of the directors set forth herein.

p) To establish a bank account for the common treasury for all separate funds which are required or may be deemed advisable by the Board of Directors.

q) To use excess monies which may accrue in the account of the Corporation to pay costs and expenses of the Corporation incurred in accordance with these Bylaws.

r) To keep and maintain full and accurate books and records showing all of the receipts, expenses or disbursements and to permit examination thereof at any reasonable time by each of the Members and any mortgagee of a Member's property within the Property. The Corporation shall cause to be prepared and delivered annually to each Member a statement showing all receipts, expenses or disbursements since the last such statement. Such financial statements shall be available to any mortgagee of a Member's property within the Property, on request, within 90 days following the fiscal year end of the Corporation. Any Member, at that Member's sole expense, may require that the Corporation cause to be prepared and delivered, at such Member's expense, an audited financial statement of the Corporation. In addition, each Member shall have the right to inspect the books and records of the Corporation during normal business hours.

s) To meet at least once each calendar year.

t) In general, to carry on the administration of the Corporation and to do all of those things, necessary and reasonable, in order to carry out the communal aspect of the use and enjoyment of the Common Properties.

Notwithstanding any provision to the apparent contrary contained in these Bylaws, neither the Board of Directors nor any officer of the Corporation, without the approval by a Majority Vote of the Members present in person or by proxy at any regular or special meeting of the Members duly called, shall have authority to borrow funds in order to pay for any required expenditure or outlay or to mortgage, pledge or hypothecate any or all of the real or personal property of the Corporation as security for money borrowed or debts incurred in connection with the affairs of the Corporation.

7.4 AFFILIATED CONTRACTS. The Board may contract with any Owner, including, without limitation, the Declarant, for performance of services which the Corporation is obligated or authorized to perform. All such contracts shall be at competitive rates then prevailing for such services and upon such other terms and conditions, and for such consideration, as the Board considers advisable and in the best interest of the Corporation provided the level of service received is consistent with that available from unrelated third parties.

7.5 LIMITATIONS ON LIABILITY. No Owner, or director, officer, employee or representative of the Corporation, shall be personally liable for the debts, obligations or liabilities of the Corporation, regardless of how such debts, obligations or liabilities are evidenced. The directors, officers, employees and representatives of the Corporation shall not be liable for any act or omission (even if such act or omission constitutes negligence) unless such act or omission constitutes willful misconduct or bad faith, and, to the extent not covered by insurance, the Corporation shall indemnify and hold harmless such directors, officers, employees and representative from and against any and all cost, expense, loss or liability, including, but not limited to, reasonable attorneys' fees, suffered or incurred by such persons as a direct or indirect result of their having served the Corporation in their respective capacities. The cost of the indemnity set forth above may be allocated among the Owners as a Special Group Assessment or a Special Individual Assessment, whichever is applicable. The right to indemnification set forth above shall not be exclusive of any other

rights to which a director, officer, employee or representative may be entitled by law or in equity. Neither the Corporation nor any director, officer, employee or representative of the Corporation shall have any liability because of the failure of the Corporation to provide enhanced security for the Property, it being understood that each Owner (and each employee, lessee and invitee) is responsible for its own security and the Corporation (and any director, officer, employee and representative thereof) shall have not liability therefore.

7.6 ELECTION AND TERM OF OFFICE. At each annual meeting of the Members, the Members shall elect five (5) persons to serve as directors, and as President, one or more Vice Presidents, Treasurer, and Secretary of the Corporation to hold office until the next succeeding annual meeting. At each election, the persons receiving the greatest number of votes shall be the directors. Each director elected shall hold office as a director and, if applicable, as the President, Vice President, Treasurer or Secretary of the Corporation for the term for which he or she is elected and until his or her successor shall have been elected and qualified or until his or her earlier death, resignation, retirement, disqualification or removal. Upon completion of each annual meeting of the Members, the Secretary of the Corporation shall deliver notice of the newly elected directors and officers to each Member of the Corporation, either personally, by facsimile transmission or by mail (postage prepaid), directed to the last known post office address or facsimile number of the Member, as shown on the records of the Corporation.

7.7 VACANCIES. Vacancies on the Board of Directors (and any corresponding vacancy, if applicable, in the officer position held by the vacating director) caused by any reason other than the removal of a director by a vote of the Corporation shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum. Each director so elected shall serve out the remaining directorship term of his or her predecessor and, if applicable, shall serve out the remaining term of the officer position held by his or her predecessor. Upon filling any vacancy on the Board of Directors and any corresponding officer position, the Secretary of the Corporation shall deliver notice of the newly elected director and, if applicable, officer, to each Member of the Corporation, either personally, by facsimile transmission or by mail (postage prepaid), directed to the last known post office address or facsimile number of the Member, as shown on the records of the Corporation.

7.8 REMOVAL OF DIRECTORS AND OFFICERS. At any regular or special meeting of the Members duly called, any director may be removed from his or her directorship position and any corresponding officer position held by him or her with or without cause by a majority vote of the Members, and a successor may then and there be elected to fill the vacancy in the directorship position and any corresponding officer position thus created. Any director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting.

7.9 ORGANIZATION MEETING. The first meeting of a newly elected Board of Directors shall be held within thirty (30) days after election at such place as shall be fixed by the directors at the meeting at which such directors were elected, and no notice shall be necessary to the newly elected directors in order legally to constitute such meeting, provided a majority of the whole Board shall be present.

7.10 REGULAR MEETINGS. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the directors, but at least one such meeting shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each director, either personally, by telephone, by facsimile transmission or by mail (postage prepaid), at least ten days prior to the day named for such meeting.

7.11 SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the President or Secretary, or upon the written request of at least three directors. The President or Secretary will give ten days' notice of such meeting to each director either personally, by telephone, by facsimile transmission or by mail (postage prepaid), which notice shall state the time, place (as herein above provided) and purpose of the meeting.

7.12 TELEPHONIC MEETING. The Board of Directors may participate in and hold a meeting by means of conference telephone or similar communication equipment by which all persons participating in the meeting can hear each other. Participation in such a meeting shall constitute presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

7.13 DELIVERY, WAIVER OF NOTICES. Any notice required to be delivered to a director under these Bylaws shall be deemed delivered at the time of personal delivery or, if delivered by telephone or by facsimile transmission, at the time the communication is successfully transmitted or, if delivered by mail, at the time the notice is deposited in the United States mail addressed to the director at his or her address as it appears on the records of the Corporation, with postage thereon paid. 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 or her 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.

7.14 BOARD OF DIRECTOR QUORUM. At all meetings of the Board of Directors, a majority of the directors (or of the initial Board of Directors) shall constitute a quorum for the transaction of business, and the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. If, at any meeting of the Board of Directors, there is less than a quorum present, the majority of those present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

ARTICLE VIII POWERS AND DUTIES

8.1 DESIGNATION. The officers of the Corporation shall be a President, one or more Vice Presidents, Secretary and Treasurer. Not more than one Owner of a Lot may serve as an officer of the Corporation at any one time.

8.2 ELECTION OF OFFICERS. The President, one or more Vice Presidents and Secretary shall be directors duly elected by the Members as provided in Section 7.6 above. The Treasurer and any assistant officers as may be deemed necessary shall be elected annually by the Board of Directors at the organizational meeting of each new Board of Directors and shall hold office at the pleasure of the Board of Directors.

8.3 REMOVAL OF TREASURER. Upon an affirmative vote of a majority of the members of the Board of Directors, the Treasurer or any assistant officer may be removed, either with or without cause, and his or her successor may be elected at any regular meeting of the Board of Directors or at any special meeting of the Board called for such purpose.

8.4 PRESIDENT. The President shall be the chief executive officer of the Corporation. The President shall preside at all meetings of both the Corporation and the Board of Directors, and shall have all

the general powers and duties which are usually vested in the office of President of an Corporation, including, but not limited to, the power to appoint committees from among the Members to assist in the administration of the affairs of the Corporation. The President, or his or her designated alternate, shall represent the Corporation at all meetings of the Corporation, as well as outside business meetings.

8.5 VICE PRESIDENTS. The Vice Presidents, in the order of their seniority, unless otherwise determined by the Board of Directors, shall perform all of the duties of the President in his or her absence and such other duties as may be required of the Vice Presidents from time to time by the President or the Board of Directors.

8.6 SECRETARY AND ASSISTANT SECRETARIES.

a) The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Corporation. The Secretary shall have charge of such books and papers as the Board of Directors may direct and shall, in general, perform all the duties incident to the office of the Secretary.

b) The Secretary shall compile and keep up to date at the principal office of the Corporation a complete list of Members and their last known addresses as shown on the records of the Corporation. 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.

c) The Assistant Secretaries, in the order of their seniority, unless otherwise determined by the Board of Directors, shall perform all the duties of the Secretary in his or her absence and such other duties as may be required of the Secretary from time to time by the President or the Board of Directors.

8.7 TREASURER AND ASSISTANT TREASURERS

a) The Treasurer shall receive and deposit in appropriate bank accounts all money of the Corporation and shall disburse such money as directed by resolution of the Board of Directors. The Treasurer shall also have the authority to: keep proper books of account; cause an annual statement of the Corporation's books to be made at the completion of each fiscal year; prepare an annual budget and a statement of income expenditures to be presented to the Members at their regular annual meeting, and deliver a copy of each to the Members; and perform all other duties assigned to the Treasurer by the Board of Directors.

b) The Assistant Treasurers, in the order of their seniority, unless otherwise determined by the Board of Directors, shall perform all the duties of the Treasurer in his or her absence and such other duties as may be required of the Treasurer from time to time by the President or the Board of Directors.

ARTICLE IX
AMENDMENTS TO CERTIFICATE OF FORMATION AND BYLAWS

9.1 AMENDMENTS GENERALLY. The Certificate of Formation or these Bylaws may be amended or repealed, or new articles or bylaws may be adopted, at any annual or special meeting of the Members at which a quorum is present by the affirmative vote of two-thirds of the total votes of the Members in Good Standing present at the meeting, provided notice of the proposed amendment, repeal or adoption be contained in the notice of such meeting; and provided further, that the foregoing notice requirement shall not

prohibit the Members from adopting the proposed amendment, effecting the proposed repeal or adopting the proposed new articles or bylaws, as the case may be, in a modified form which is not identical to that described or set forth in the notice of such meeting. For purposes of this Section 9.1, Members holding 70% of the aggregate votes entitled to be cast by all Members in Good Standing, all of whom shall be represented at a meeting of the Members in person or by legitimate proxy, shall constitute a quorum for voting to amend or repeal the Certificate of Formation or these Bylaws, or to adopt new articles or bylaws at any duly called annual or special meeting of the Members.

ARTICLE X ACTIONS WITHOUT MEETINGS

10.1 CONSENT TO ACTION. Any action required or permitted to be taken at any meeting of Members, directors or committee members may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by a sufficient number of Members, directors or committee members, as the case may be, as would be necessary to take that action at a meeting at which all persons entitled to vote on the action were present and voted.

10.2 NOTICE OF ACTION. Prompt notice of the taking of any action by Members, directors or committee members without a meeting by less than unanimous written consent shall be given to those Members, directors or committee members who did not consent in writing to the action. Every written consent signed by less than all the Members, directors or committee members entitled to vote with respect to the action that is the subject of the consent shall bear the date of signature of each person who signs the consent. No written consent signed by less than all the Members, directors or committee members entitled to vote with respect to the action that is the subject of the consent shall be effective to take such action unless, within 60 days after the date of the earliest dated consent delivered to the Corporation in the manner required by law, a consent or consents signed by not less than the minimum number of Members, directors or committee members that would be necessary to take the action that is the subject of the consent are delivered to the Corporation by delivery to its registered office, registered agent, or principal place of business, or by delivery to an officer or agent of the Corporation having custody of the books in which proceedings of meetings of Members are recorded. Delivery shall be by hand or certified or registered mail, return receipt requested. Delivery to the Corporation's principal place of business shall be addressed to the President or principal executive officer of the Corporation. A telegram, telex, cablegram or similar transmission by a Member, director or committee member, or a photographic, photostatic, facsimile or similar reproduction of a writing signed by a Member, director or committee member, shall be regarded as signed by the Member, director or committee member for purposes of this Section 10.2.

ARTICLE XI MORTGAGES

11.1 NOTICE TO CORPORATION. A Member who mortgages his or her Lot shall notify the Corporation through the President or Secretary of the Corporation, giving the name and address of the mortgagee. The Corporation shall maintain such information in a book entitled "Mortgagees of Lots."

11.2 NOTICE OF UNPAID ASSESSMENTS. The Corporation shall, at the request of a mortgagee of a Lot, report any unpaid assessments due from the Owner of such Lot.

ARTICLE XII
NON-PROFIT CORPORATION


12.1 NON-PROFIT PURPOSE. The Corporation is not organized for profit. No Owner, Member, director, officer or person from whom the Corporation 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 Corporation be paid as a salary or as compensation to, or distributed to or inure to the benefit of any director or officer; provided, however, (a) reasonable compensation may be paid to any Member while acting as an agent or employee of the Corporation for services rendered in effecting one or more of the purposes of the Corporation and (b) any director or officer may, from time to time, be reimbursed for his or her actual and reasonable expenses incurred in connection with the administration of the affairs of the Corporation, subject to prior approval by the Board of Directors.

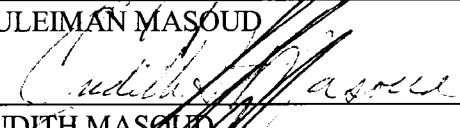
12.2 FILING OF PAPERS. The Board of Directors shall cause to be filed with all applicable governmental agencies such certificates, reports and other paperwork as necessary to assure that the Corporation, to the maximum extent possible, retains its tax-exempt status as a Texas non-profit corporation operating as a homeowners Corporation within the meaning of Section 528 of the Internal Revenue Code of 1986, as amended, or the corresponding provision or provisions of any subsequent United States Internal Revenue law or laws.

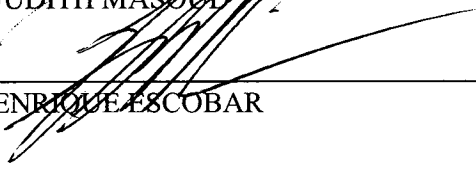
CERTIFICATE

The undersigned, being the three (3) initial members of the Board of Directors under these Bylaws, hereby certify that the foregoing is a true, complete and correct copy of the Bylaws of The Homeowners' Association of Villa Espanola II Homeowners Association, Inc. a Texas non-profit corporation, as adopted by the Board of Directors by unanimous consent in lieu of organizational meeting dated effective as of May 30th, 2008.

IN WITNESS WHEREOF, we hereunto set our hands effective for all purposes effective as of May 30th, 2008.



SULEIMAN MASOUD


JUDITH MASOUD


ENRIQUE ESCOBAR

EXHIBIT "A"

The Property

(to be inserted)