



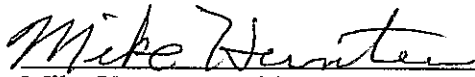
STATE OF TEXAS § GOVERNING INSTRUMENT AFFECTING
 § WALNUT ESTATES PROPERTY OWNERS ASSOCIATION,
 § INC.
COUNTY OF TEXAS § and its Property Owners Association

Pursuant to Texas Property Code §202.006, the undersigned officer of the Walnut Estates Property Owners Association, Inc. does hereby state that, to his knowledge:

Attached as "Exhibit A" is a copy of the Bylaws of Walnut Estates Property Owners Association, Inc. certified on May 1, 1997.

EXECUTED and EFFECTIVE as of this 22 day of November, 2008.

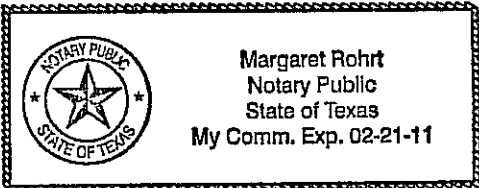
WALNUT ESTATES PROPERTY OWNERS ASSOCIATION,
INC.

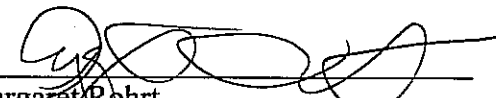


Mike Hunter, President

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This instrument was acknowledged before me on this the 22 day of November, 2008 by Mike Hunter, President of Walnut Estates Property Owners Association, Inc., a Texas non-profit corporation, on behalf of said corporation.





Margaret Rohrt
Notary Public, State of Texas
My commission expires 02-21-11

BY-LAWS
OF
WALNUT ESTATES
PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE ONE

NAME

1.01 Name. The name of the organization shall be Walnut Estates Property Owners Association, Inc., a Texas non-profit corporation (hereafter known as the "Association").

ARTICLE TWO

PURPOSE AND PARTIES

2.01 Governing of Real Estate Development. The purpose for which this Association is formed is to provide for a government for the real estate development known as Walnut Estates (hereafter known as the "Property"), situated in Dallas County, State of Texas, which Property is described in Exhibit "A" to the Declaration of Covenants, Conditions and Restrictions for Walnut Estates, Dallas, Texas (hereafter known as the "Declaration"), to wit:

All of the real property described as Walnut Estates, according to the plat thereof recorded in Volume 93137, Page 3516 of the Deed Records of Dallas County, Texas.

The Declaration is incorporated herein by reference. The Declaration was initially made on July 28, 1993 by Walnut Investors Limited Partnership, an Oklahoma limited partnership (hereafter known as "Declarant"). The Property is divided into sixteen (16) lots (hereafter known as "Lot(s)") which are either owned by consumers (hereafter sometimes known as "Owner(s)") or owned by Declarant, or owned by residential builders who are engaged in the process of constructing residential dwellings on such Lots for the purpose of selling the dwellings upon their completion to consumers, and into common property (hereafter known as the "Common Property") which is owned by the Association. Owners shall have an Easement of Use and Enjoyment, limited and defined by the provisions of the Declaration, as to the Common Property by right of their ownership of a Lot. Said Easement of Use and Enjoyment shall be appurtenant to and shall pass with the title of every Lot; provided, however, such easement shall not give any individual Owner the right to make alterations, additions or improvements to the Common Property. Except as otherwise expressly stated in the Declaration or these By-Laws, so long as the Declarant continues to own any Lots within the Property, Declarant shall also be considered an Owner and have all the rights, privileges and duties of any Owner.

2.02 Owners Subject to These By-Laws: Acceptance of By-Laws. Subject to the restrictions contained in the Declaration and in these By-Laws, or amendments hereto, all present or future Owners, tenants, or future tenants, of any Lot, or any other person who might use in any manner the facilities of the Property, are subject to the provisions and any regulations set forth in

these By-Laws. The mere acquisition, lease or rental of any Lot or the mere act of occupancy of a Lot will signify that these By-Laws are accepted, approved, ratified and will be complied with.

2.03 No Compensation. This Association is not organized for profit. No member, member of the Board of Directors, 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 Directors, officer or member; provided, however, (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 incurred in connection with the administration of the affairs of the Association.

ARTICLE THREE

MEMBERSHIP, QUORUM, PROXIES, CLASSES OF MEMBERSHIP, VOTING

3.01 Membership. Except as is otherwise provided in these By-Laws, ownership of a Lot is required in order to qualify for membership in this Association. Any person, or entity, on becoming an Owner of a Lot, shall mandatorily and automatically become a member (hereafter known as "Member") of this Association and be subject to these By-Laws. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Declarant, for so long as it shall qualify to be a Member, and any other entity holding record title to any Lot and therefore qualify for membership in the Association, may be represented at Association meetings by a representative or representatives of its selection and may vote and hold elected office to the same extent that any Member is so allowed. Membership shall be appurtenant to and may not be separated from the ownership of any lot which is subject to assessment by the Association. Membership shall terminate without any formal Association action whenever such person ceases to own a Lot, but such termination shall not relieve or release any such former Member from any liability or obligation incurred under or in any way connected with this Association during the period of such ownership and membership in this Association, or impair any rights or remedies which other Members have, either through the Board of Directors of the Association or directly, against such former Member arising out of or in any way connected with ownership and membership and the covenants and obligations incident thereto.

3.02 Member in Good Standing. A Member of the Association shall be considered a member in Good Standing and eligible to vote if such member:

- (a) Has, fully paid all assessments or other charges levied by the Association then due and payable; and
- (b) Does not have a lien filed by the Association against its property; and
- (c) Is in full compliance with all other obligations as may be required of Members in the Declaration or these By-Laws and is not in violation of any rule or regulation of the Association then in force.
- (d) Has met the proof of ownership requirement provided for in 11.01 of these by-Laws

3.03 Quorum for Members' Meeting. Members' Meetings may be either Annual Members' Meetings or Special Members' Meetings as provided in Section 4.03 and 4.04, respectively, of these By-Laws. A quorum of the Members must be present at any Members' Meeting before any action by the Association may be authorized which requires approval of the Members. A quorum shall consist of the presence at the Members' Meeting of sixty percent (60%) of all the votes of the Members of the Association. Voting shall be on the basis of one vote per Lot owned by any Member. Votes may not be split. In those situations where interests in a Lot are held by more than one person or entity, those persons or entities must decide amongst themselves how to cast the unitary vote available to them.

3.04 Proxies. Votes, at any Members' Meeting, may be cast in person or by written proxy. Proxies must be filed with the Secretary of the Association, or any director or officer if the Secretary is not present, prior to the convening of any Members' Meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy. Each proxy shall be revocable unless expressly provided therein to be irrevocable, and in no event shall it remain irrevocable for more than eleven (11) months.

3.05 Classes of Membership. As provided in the Declaration, the Association shall have two classes of voting membership. Class A Members shall be all Members with the exception of Class B Members. Class B Members shall be Declarant and any bona fide Member who is engaged in the process of constructing a residential dwelling on any Lot for the purpose of selling such dwelling upon its completion to consumers. Class A Members shall be entitled to one vote for each Lot in which they hold the interest required for membership. When more than one person holds such interest or interests in any Lot, all such persons shall be Members, and the vote for such Lot shall be exercised as they, among themselves, determine, but in no event shall more than one vote be cast with respect to any such Lot. Voting may not be split. Declarant shall be entitled to one vote for each Lot owned by all Class B Members. Class B Members, other than the Declarant, shall be non-voting Members of the Association. Class B membership shall cease, and each Class B Member shall become a Class A Member:

- (i) at such time as the Declarant no longer owns record title to any of the Property and all Lots have residential dwellings constructed on them; or
- (ii) on the tenth (10th) anniversary date of the recording for record of the Declaration, whichever occurs first in time.

3.06 Voting. Except as otherwise specified in the Declaration or these By-Laws, any election, decision, or action authorized by these By-Laws or the Declaration to be taken by the Members at a Members' Meeting, shall require the assent of the majority of all of the votes of those Members who are voting in person or by proxy. Only Members in Good Standing shall be entitled to vote. The Board of Directors shall have the 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 may determine, in its own judgment, that extenuating circumstances exist which have prevented a particular Member from meeting all Good Standing requirements, and waive the requirement, if requested in writing by such Member prior to any particular vote being taken.

3.07. Action without a Meeting. Any action that may be taken at a Members' Meeting, a meeting of the Board of Directors, or a meeting of a committee created by the By-Laws or the Board of Directors, may be taken without a meeting if consent in writing, setting forth the action to be taken, is signed by a sufficient number of Members, Directors, or committee members as would be necessary to take that action at a meeting at which all the Members, Directors, or members of the committee were present and voted. Each written consent shall bear the date of signature of each Member, Director, or committee member who signs the consent. Prompt notice of the taking of any action by Members, Directors, or a committee without a meeting by less than the unanimous written consent shall be given to all Members, Directors, or committee members who did not consent in writing to the action.

ARTICLE FOUR ADMINISTRATION

4.01 Association Responsibilities. The Association will administer the Property through a Board of Directors (hereafter known as "Board of Directors").

4.02 Place of Meetings. Members' Meetings or Board of Directors meetings shall be held at such suitable place, convenient to the Members or members of the Board of Directors, as the Board of Directors may determine.

4.03 Annual Members' Meetings. The first Annual Members' Meeting of the Association shall be held in December, 1995, following the filing of the Articles of Incorporation with the Secretary of State. Thereafter, the Annual Meetings of the Members of the Association shall be held on the second Thursday of October or other date as may be selected by the Board of Directors. At such Annual Meetings there shall be elected by ballot of the Members a Board of Directors in accordance with the requirements of Section 5.01 of Article Five of these By-Laws. Other Association business, properly subject to discussion or a vote of the Members, may also be conducted at such Annual Meetings.

4.04 Special Members' Meetings. It shall be the duty of the President of the Association to call a Special Members' Meeting as directed by Resolution of the Board of Directors, or upon a petition signed by Members representing more than sixty percent (60%) of the outstanding votes of the Association, and having been presented to the Secretary of the Association. No business except as stated in the notice shall be transacted at a special meeting unless by consent of Members who hold more than sixty percent (60%) of the outstanding votes of the Association, either in person or by proxy. A Special Members' Meeting may be held after the first Annual Members' Meeting and shall be held no less than ten (10) days or more than fifty (50) days after receipt by the President of such Resolution or petition.

4.05 Notice of Meetings. It shall be the duty of the Secretary of the Association to deliver or mail a notice of each Annual Members' Meeting or Special Members' Meeting, stating the purpose thereof, the items on the agenda, including the general nature of any proposed amendment to the Declaration or By-Laws, as well as the time and place the meeting is to be held, to each Member of record. Written notice of an Annual Members' Meeting or Special Members' Meeting shall be given to all Members not less than ten (10) days nor more than fifty

(50) days in advance. The mailing of notice in the manner provided in this paragraph shall be considered notice served. Notice is only required to be provided to those Members of record as of the date notice of a Members' Meeting is mailed. The Board of Directors may convene a Special Members' Meeting with no notice to the Members provided that a quorum of the Members can be obtained.

4.06 Adjourned Meetings. If any Members' Meeting cannot be organized because a quorum has not attended, the Members who are present, either in person or by proxy, may adjourn the meeting, from time to time, until a quorum is obtained; however, the place of the meeting must remain as stated in the notice.

4.07 Order of Business. The order of business at all Members' Meetings 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 directors, as applicable;
- g) Election of members of Architectural Control Committee, as applicable;
- h) Unfinished business;
- i) New business; and
- j) Adjournment.

ARTICLE FIVE

BOARD OF DIRECTORS

5.01 Number, Qualification and Election. At the first Annual Members' Meeting of the Association, and at each Annual Members' Meeting thereafter, there shall be elected six (6) persons to the Board of Directors who shall, thereafter, govern the affairs of this Association, except as to those elections, decisions, or actions reserved to a vote of the Members or the reasonable discretion of the Architectural Committee under the terms of the Declaration or these By-Laws, until their successors have been duly elected. An individual must be a Member in Good Standing and remain in Good Standing during their term in order to serve as a Director. A Director who ceases to be a Member during that Director's term of office shall automatically cease to be a Director without further action of the Association or Board of Directors. Directors shall serve without compensation though they may be reimbursed for actual and reasonable expenses incurred by them in the performance of Association business. At each annual election of directors, every Member entitled to vote at such election shall have the right to vote for as many persons as there are directors to be elected. Directors shall be elected by a majority vote of the Members on the basis of one vote per Lot owned by any Member. When more than one person holds such interest or interests in any Lot, all such persons shall be Members, and the vote for such Lot shall be exercised as they, among themselves, determine, but in no event shall more than one vote be cast with respect to any such Lot. Votes may not be split.

5.02 Term of Office The term of office for the Directors all be one year, with their election at each Annual Members' Meeting. Nothing herein shall be construed as preventing a director to be elected to two or more successive terms.

5.03 General Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of a first class Property. The Board of Directors may do all such-acts and things as provided in the Declaration, the Articles of Incorporation, and these By-Laws, except as prohibited by law.

5.04 Other Powers and Duties. The powers and duties of the Board of Directors shall include, but shall not be limited to, the following, all of which shall be done for and on behalf of the Members:

a) Administration. In general, to do all of those things necessary and reasonable in order to carry on the administration of the Association and for the sound and efficient management of the Common Property. To administer and enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations and all other provisions set forth in the Declaration, and these By-Laws, and amendments thereto, all in conformance with law. The Board of Directors shall not adopt any rules or regulations which are in conflict with the provisions of the Declaration or which impose any monetary or other obligations upon any Member which are not expressly provided for in the Declaration.

b) Budget and Assessment Powers. In accordance with the provisions of the Declaration and as is reasonable and necessary for the administration of the Association and maintenance and preservation of the Common Property, to prepare a budget for the maintenance of the Common Property and operation of the Association and to fulfill the Board of Director's other duties with respect to assessments. Such duties include, but are not limited to, the power to assess and collect Annual Maintenance Assessments, Special Assessments for Capital Improvements, and Special Individual Assessments, as provided in the Declaration, whenever, in the opinion of the Board of Directors, it is necessary to do so in order to meet operating or maintenance expenses or costs, or make capital expenditures, or because of emergencies. The Board of Directors shall determine the amount of, and dates such assessments are due, in accordance with the terms of the Declaration. The Board of Directors shall not impose any monetary or other obligations upon any Member which are not expressly provided for in the Declaration, or amendments thereto. The Board of Directors shall also have the right and power to pay out of Association funds reasonable and necessary expenses of the Association, as determined by the Board of Directors and in accordance with the Declaration and these By-Laws.

c) Management Contract. To enter into a management agreement with a management company at a rate of compensation agreed upon by the Board of Directors. In accordance with the Declaration and these By-Laws, the management company may have such duties as preparing operating budgets, collecting dues, making disbursements, and other duties deemed to be in the best interests of the Association.

d) Enforcement of Assessment: Lien Rights. To collect delinquent assessments by suit or otherwise and to enjoin or seek damages from a Member who may be in default,

as provided in the Declaration. To collect interest at the rate specified in the Declaration in connection with assessments remaining unpaid more than thirty (30) days from due date for payment thereof, together with all expenses, including attorney's fees incurred.

e) Rules. The power to make such reasonable rules and regulations in conformance with law, the Declaration, and these By-Laws, as may be necessary for the operation, use and occupancy of the Property, with the right to amend the same from time to time. The Secretary shall mail or deliver a copy of such rules and regulations to each Member within five (5) days following the adoption thereof.

f) Enforcement. The power to enforce compliance with said rules and regulations promulgated by the Board of Directors, or contained within the Declaration or these By-Laws, or amendments thereto, by all legal and equitable remedies.

g) Insurance. As provided in the Declaration, and as is reasonable and necessary for the administration, maintenance, and preservation of the Association and of the Common Property, to purchase, carry and maintain in force insurance covering any or all portions of the Common Property, the improvements thereon and appurtenant thereto, for the interest of the Association and of all Members thereof; in such amounts and with such endorsements and coverage as shall be considered good sound insurance coverage for properties similar in construction, location, and use, to the Common Property. Such insurance may include, without limitation, coverage for loss or damage by fire and hazards covered by a standard extended coverage endorsement, public liability and property damage insurance on a broad form, a fidelity bond for all officers and employees of the Association, and officers' and directors' liability insurance.

h) Protect and Defend. To protect and defend the Common Property and the Association from loss and damage by suit or otherwise.

i) Books and Records. As provided in the Declaration, and as reasonable and necessary for the administration of the Association and maintenance and preservation of the Common Property, to keep and maintain full and accurate books and records showing all of the receipts, expenses or disbursements, amounts of working and reserve funds, and to permit examination thereof by each of the Members and to make available to each Member, within one hundred twenty (120) days after the end of each Association fiscal year a written unaudited annual report on financial affairs of the Association for the preceding year and, upon written request of at least 50% of the Members in Good Standing, to have such report audited by an independent certified public accountant selected by the Board. The audited report, if required, shall be completed and made available to each Member no later than ninety (90) days after such request is received by the Board of Directors. The cost of preparing and distributing the audit shall be paid by the Association from regular annual assessments. The fiscal year for the Association shall be the calendar year.

j) Ownership of Lots. To own, convey, encumber, lease or otherwise deal with Lots conveyed to it as the result of enforcement of the lien for common expenses or otherwise.

5.05 No Waiver of Rights. The omission or failure of Association, the Board of Directors or any Member to enforce the covenants, conditions, restrictions, easements, use limitations, obligations or other provisions of the Declaration, the By-Laws or the rules and regulations adopted pursuant hereto, shall not constitute or be deemed a waiver, modification or release thereof, and the Board of Directors shall have the right to enforce the same thereafter.

5.06 Vacancies in Board. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Members shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected at the next Annual Member's Meeting.

5.07 Removal of Directors. At a Special Members' Meeting, any one or more of the Directors may be removed with or without cause by the assent of two-thirds (2/3) of all of the votes of those who are voting in person or by proxy and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting. Should any Director miss three (3) consecutive regular meetings of the Board of Directors, he shall be automatically removed from the Board and a successor selected and approved by the Board to fill his unexpired term.

5.08 Directors' Organization Meeting. The first meeting of a newly elected Board of Directors following the Annual Members' Meeting shall be held immediately following the adjournment of the Annual Members' Meeting or within ten (10) days thereafter 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.

5.09 Directors' Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as may be determined from time to time by a majority of the Directors, but at least two such meetings shall be held during each calendar year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone, telecopy, or telegraph, at least five (5) days prior to the day named for such meeting.

5.10 Directors' Special Meetings. Special meetings of the Board of Directors may be called by the President, upon written request of any Director, on five (5) days notice to each Director, given personally, by mail, telephone, telecopy, or telegraph, which notice shall state the time and place, as provided in Section 5.09 of these By-Laws, and purpose of the meeting.

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

5.12 Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of

the Board of Directors. If, any meeting of the Board of Directors there be less than a quorum present, those present may adjourn the meeting from time to time until a quorum is obtained; however, the place of the meeting must remain as stated in the notice. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice

ARTICLE SIX

OFFICERS

6.01 Designation. The Officers of the Association shall be a President, Vice-President, Secretary, and Treasurer (hereafter known as "Officer(s)"), all of whom shall be elected by the Board of Directors. The President and Vice-President shall be elected from among the members of the Board of Directors. The Secretary and Treasurer need not be, but may be, members of the Board of Directors, but such individuals must be Members of the Association. All Officers who cease to be a Member during that Officer's term of office shall automatically cease to be an Officer without further action of the Board of Directors. A Member holding the position of Secretary may serve as Treasurer. Officers shall serve without compensation though they may be reimbursed for actual and reasonable expenses incurred by them in the performance of Association business.

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

6.03 Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any Officer may have his office removed either with or without cause, and his successor elected at any regular meeting of the Board of Directors, 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, the acceptance of such resignation shall not be necessary to make it effective.

6.04 Vacancies. A vacancy in any office because of the death, resignation, removal, disqualification or otherwise of the officer previously filling such 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.

6.05 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 Directors unless he is absent. He shall have all of the general powers and duties which are usually vested in the office of the 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 are appropriate to assist in the operation of the Association or as may be established by the Board of Directors or by the Members of the Association at any regular or special meeting.

6.06 Vice President. The Vice President shall have all 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.

6.07 Secretary. The Secretary shall keep all the minutes of the meetings of the Board of Directors and the minutes of all meetings of the Association; the Secretary shall have charge of such books and papers as the Board of Directors may direct; and the Secretary shall, in general, perform all the duties incident to the office of Secretary and as is provided in the Declaration and the By-Laws. The Secretary shall compile and keep up to date at the principal office of the Association a complete list of Members and their last known addresses as shown on the records of the Association. Such list shall also show opposite each Member's name the number or other appropriate designation of the Lot owned by such member. 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.

6.08 Acting Secretary. In the event that the Secretary is unable to attend any Members' Meeting or meeting of the Board of Directors, the President shall have the authority to appoint an Acting Secretary from among the Members present to keep the minutes of such meeting and to perform the necessary and appropriate functions of the Secretary in regards to that meeting. All records produced or retained by the Acting Secretary shall be surrendered to the Secretary at such time as the Secretary is again available.

6.09 Treasurer. The Treasurer shall have responsibilities for Association funds and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. The Treasurer 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 Directors.

ARTICLE SEVEN

INDEMNIFICATION OF DIRECTORS AND OFFICERS

7.01 Indemnification. The Association shall indemnify through insurance or other means every Director, or Officer, their respective successors, personal representatives and heirs, against all loss, costs and expenses, including counsel fees, reasonably incurred by such Director, or Officer, in connection with any action, suit or proceedings to which such Director, or Officer, may be made a party by reason of such individual being or having been a Director, or Officer of the Association, except as to matters as to which such Director, or Officer shall be finally adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of that person's duty as Director or Officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such Director or Officer may be entitled. All liability, loss, damage, 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 a common expense; provided, however, that nothing in this Article Seven shall be deemed to obligate the Association to indemnify any Member who is or has been a Director or Officer of the Association with respect to any duties or obligations assumed or liability incurred by such an individual under and by virtue of the Declaration or these By-Laws.

7.02 No Personal Liability. Contracts or other commitments made by the Board of Directors or Officers shall be made as agent for the Association, and such individuals shall have no personal responsibility on any such contract or commitment.

ARTICLE EIGHT

BY-LAWS

8.01 Adoption of By-Laws. These By-Laws must be approved by a minimum of seventy percent (70%) of the outstanding votes of the Association on the basis of one vote per Lot owned by any Member prior to their adoption by the Board of Directors. When more than one person holds such interest or interests in any Lot, all such persons shall be Members, and the vote for such Lot shall be exercised as they, among themselves, determine, but in no event shall more than one vote be cast with respect to any such Lot. Votes may not be split.

8.02 Amendments to By-Laws. These By-Laws may be amended by action of the Members at a duly constituted Members' Meeting so long as the notice of such meeting sets forth the complete text of the proposed amendment. No amendment shall be effective unless approved by a minimum of seventy percent (70%) of the outstanding votes of the Association on the basis of one vote per Lot owned by any Member. When more than one person holds such interest or interests in any Lot, all such persons shall be Members, and the vote for such Lot shall be exercised as they, among themselves, determine, but in no event shall more than one vote be cast with respect to any such Lot. Votes may not be split. A copy of all amendments approved by the requisite number of Members shall be delivered to all Members within ten (10) days of approval. Record of such amendments shall be filed in the real records of Dallas County.

ARTICLE NINE

ASSESSMENTS AND LIENS

9.01 Establishment and Purpose. The Association shall have the responsibility and authority to assess each Lot for common expenses and for special capital improvement and repair expenses. These assessments levied shall be used exclusively for the purpose of promoting the health, recreation, safety and welfare of the residents of the Properties, and in particular for the improvement and maintenance of private streets, walls, gates, lighting, walkways, access easements, common green or other properties, services and facilities devoted and related to the use and enjoyment of the common properties, including, but not limited to or for: taxes, insurance, electricity, water, gate telephone; any matter or thing designated by the City of Dallas, or other matters deemed necessary and appropriate by the Association.

9.02 Annual Budget and Annual Maintenance Assessment Each fiscal year, the Board of Directors shall adopt an annual budget and set the amount of the Annual Maintenance Assessment to be levied for the next year, taking into consideration Association operating costs for the 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 in the Declaration. Surplus amounts shall be used to reduce the next regular Annual Assessment. The annual budget shall be adopted and the amount of Annual Assessment determined at least thirty (30) days prior to each fiscal year. In the event the Board of Directors 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 currently in effect shall continue and the Annual Maintenance Assessment shall be deemed the same as for the current year. The amount of initial Annual Assessment, succeeding assessments, increases, and methods of computation are determined as specified in the Declaration.

9.03 Special Capital Assessments. As specified in the Declaration, the Board of Directors may from time to time may levy a Special Assessment for Capital Improvements or unexpected repairs to the common properties provided such assessment is not in excess of one hundred dollars (\$100) per lot per calendar year; larger amounts must have a vote of the Association membership.

9.04 Special Individual Assessments. The Board of Directors may levy a special assessment on any member for the purpose of:

a) Defraying the cost of any damage or loss requiring maintenance, repairs, or replacement of improvements associated with a Common Area or with a lot not owned by the member causing such damage or loss which has been determined by the Board of Directors to have been caused, either directly or indirectly, by the willful or negligent acts of such member, member's contractor, agent, occupant, or visitor. In reaching a decision to levy such Special Assessment upon any member, the Board of Directors 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, member's contractor, agent, occupant, or visitor. Prior to making such determination, the Board of Directors shall inform such member of its findings and afford the member reasonable opportunity (not less than seven (7) days) to either introduce evidence regarding such damage or loss, and the cause thereof, or remedy such loss or damage.

b) Reimbursing the Association for any and all direct or indirect costs incurred by the Association with regard to the maintenance, repair or replacement or landscaping or lot improvement on any particular lot owned by such member when it has been determined by the Board of Directors that 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. Notification by the Board of Directors must be given in writing to the Member of such neglect and Member shall have been given thirty (30) days to correct the deficiencies, except where a shorter time has been specified in the Declaration, prior to the Association taking corrective action and levying a Special Member Assessment as set forth in the Declaration.

9.05 Payment of assessments. The first Regular Annual Maintenance Assessment provided for in the Declaration shall commence on January 1, 1998 and future Regular Assessments will remain on each successive January 1 and the full amount will be paid annually in advance unless otherwise determined by the Board of Directors of the Association. Written notice of the amount of all Assessments set by the Board of Directors will be delivered or mailed to members at least thirty (30) days prior to the payment due date.

9.06 Delinquent Assessments. Any Assessment or part thereof not paid by the due date shall become delinquent and shall, together with all interest and cost of collection become a continuing lien on the lot as provided for in the Declaration.

9.07 Liens. As evidence of delinquent assessments provided for in the Declaration, the Association may prepare a written notice of lien setting forth the amount of delinquent indebtedness, the name of the owner of the property, 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 of Dallas, Texas or such other place as may be required by law for the recording of liens affecting real property at such time the notice is recorded.

ARTICLE TEN

ARCHITECTURAL CONTROL COMMITTEE

10.01 Architectural Control Committee. The Architectural Control Committee shall be composed of three (3) Members who shall serve two (2) year terms.

10.02 Qualifications. An individual must be a Member in Good Standing in order to serve as a member of the Architectural Control Committee. A member of that committee who ceases to be a Member during that committee member's term of office shall automatically cease to be a member of the Architectural Control Committee without further action of the Association or Board of Directors.

10.03 No Compensation. Reimbursement for Expenses. Members of the Architectural Control Committee shall serve without compensation though they may be reimbursed for actual and reasonable expenses incurred by them in the performance of Association business.

10.04 Election Procedure. At the first Annual Members' meeting and at the Annual Members' Meeting every other year thereafter, there shall be held an election for the purpose of electing members to the Architectural Control Committee. Those three Members receiving the highest number of votes cast shall compose the membership of the Architectural Control Committee and shall take office immediately without further action. Every Member entitled to vote at such election shall have the right to vote for as many persons as there are members of the Architectural Control Committee to be elected. Each Member shall be eligible to vote based on one vote per Lot owned by any Member per committee member to be elected. When more than one person holds such interest or interests in any Lot, all such persons shall be Members, and the vote for such Lot shall be exercised as they, among themselves, determine, but in no event shall more than one vote be cast with respect to any such Lot. Individual votes may not be split.

10.05 Vacancies due to Death, Resignation, or Termination Membership. In the event a vacancy should occur within the membership of the Architectural Control Committee, the remaining members of that committee shall have the authority to designate and appoint a qualified successor to fill such a vacancy. Such successor shall serve until the expiration of the previous committee member's term.

10.06 Purpose. The Architectural Control Committee, in conformance with the provisions of the Declaration, shall be authorized and empowered to consider and review any and all aspects of dwelling construction, construction of other improvements and location, quality and quantity of landscaping on the Lots, and may disapprove aspects thereof which may, in the reasonable opinion of the Architectural Control Committee, adversely affect the living enjoyment of one or more Members or the general value of the Property.

10.07 Standards of the Architectural Control Committee. The Architectural Control Committee, in conformance with the provisions of the Declaration, may, from time to time, publish and promulgate architectural standards bulletins.

10.08 Right to Inspection. In accordance with the provisions of the Declaration, the Architectural Control Committee shall have the right to conduct inspections of all approved work to ensure that such work is completed in conformance with prescribed standards. The Architectural Control Committee may elect to retain the services of professional inspectors to monitor such work. Such a decision and its cost to the Member shall be part of the written response the Architectural Control Committee shall make to any Member requesting approval for construction work. The Member requesting Architectural Control Committee approval shall sign the committee response letter outlining the terms of the committee's approval and return the same to the committee prior to initiating construction work. The Member's signature on the Architectural Control Committee response letter shall imply acceptance of the terms of approval and shall imply permission by the Member for members of the committee or the committee's agents to conduct inspections at reasonable hours and in a reasonable fashion.

10.09 Enforcement: Right to Correct Violations. In the event any building, fence, wall or other Improvements or structure shall be commenced, erected, placed, moved or maintained upon any Lot, otherwise than in accordance with the provisions and requirements of these By-Laws, the Declaration, or the standards of the Architectural Control Committee, or without the approval of the Architectural Control Committee, then the same shall be considered to have been undertaken without the approval of the Architectural Control Committee required herein and in violation of the governing documents of the Association. In the event of such a violation the Architectural Control Committee shall make written request of the Member with whom the responsibility for such non complying or unapproved building, fence, wall or other structure or improvements exists, with a copy of said notice provided to the Board of Directors, that the same be promptly removed or otherwise rectified. In the event that the responsible Member does not effect removal of the violation, or the violation is not otherwise terminated within fifteen (15) days after notice of such violation is delivered to the responsible Member, or unless that Member makes written commitment satisfactory to the members of the Architectural Control Committee as to a procedure and time table to remove the violation or bring it into accordance with standards, then the Architectural Control Committee shall make written appeal to the Board of Directors. It shall be the responsibility of the Board of Directors to determine what remedial

action, if any, is appropriate to protect the rights and interests of the Association, including, but not limited to, the employment of counsel and resort to judicial remedies, and the levying of a Special Members Assessment to recover expenses incurred by the Association in protecting the rights and interests of the Association.

ARTICLE ELEVEN

EVIDENCE OF OWNERSHIP, OF MAILING ADDRESS AND DESIGNATION OF VOTING REPRESENTATIVE

11.01 Proof of Ownership. Any person, on becoming an Owner of a Lot, shall furnish to the Board of Directors 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. An individual or entity shall not be deemed to be a Member in good standing nor shall that individual or entity be entitled to vote at any Annual or Special Members' Meeting unless this requirement is first met.

11.02 Registration of Mailing Address. The Owner or several Owners of an individual 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, firm, corporation, partnership, association or other legal entity or any combination thereof to be used by the Association. Such registered address of an Owner or Owners shall be furnished by such Owner or Owners to the Board of Directors 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 by such persons as are authorized by law to represent the interest of the Owner or Owners thereof.

11.03 Designation of Voting Representative - Proxy. If a Lot is owned by a single person, that person's right to vote shall be established by the record title thereto, if properly filed with the Board of Directors. If title to a Lot is held by more than one Owner, such Owners shall execute a proxy appointing and authorizing one of the Owners, or alternate Owners, to attend and vote on behalf of all the Owners of that particular Lot at Annual and Special Members' Meetings. If title to a Lot is held by a firm, corporation, partnership, association or other legal entity, or any combination thereof, such Owner or Owners shall execute a proxy appointing and authorizing one person, or alternate persons, to attend Annual and Special Members' Meetings and vote in behalf of all of the Owners of that particular Lot at Annual and Special Members' Meetings. Such proxies shall be effective and remain in force unless voluntarily revoked, amended or sooner terminated by operation of law; provided, however, that within thirty (30) days after such revocation, amendment or termination, the Owners shall reappoint and authorize one person or alternate persons to attend all Annual and Special Members' Meetings as provided by this Paragraph.

ARTICLE TWELVE

OBLIGATIONS OF THE MEMBERS

12.01 General Obligations. It shall be the obligation of each Member to abide by the provisions of the Declaration, The Articles of Incorporation, these By-Laws, and the reasonable rules and regulations promulgated by the Board of Directors and the members of the Architectural Control Committee. Each owner shall endeavor to observe and promote the cooperative purposes for the accomplishment of which this Property was built.

12.02 Use of Lots. All Lots shall be utilized only for those purposes provided in the Declaration. Members shall not construct improvements or make structural modifications or alterations to those improvements constructed upon such Member's Lot without the written approval of the Architectural Control Committee in accordance with the provisions of the Declaration and these By-Laws.

- A. During Construction: It shall be the owners responsibility to ensure that their builder or contractor:
1. Endeavors to complete construction in less than 9 months
 2. Provides toilet facilities during construction
 3. Does not block street or driveways at any time
 4. Contains all trash on the lot being improved and periodically has trash removed when premises becomes unsightly.
 5. Does not allow workers to use other lots for parking, dumping, storing of materials, or any other use without that lot owners specific approval.
 6. Is responsible for any damage to other lots or common properties caused by their vehicles or workers.
 7. Obeys construction hours of 7 AM until Dark on Monday thru Saturday. No construction is permitted on Sunday.
- B. After Construction: It shall be the owners responsibility to:
1. Maintain all properties in an appropriate manner for a first class residential community.
 2. Keep structures, lots, and landscaping, which are visible from the street or other lots, well maintained and free of debris, equipment, and children's toys when not being used.
 3. Keep trash collection containers out of sight except on collection days.
 5. Keep all vehicles parked in driveways or garages. On-street parking is permitted for short time guests only as specified in the Declaration.
 6. Keep garage doors closed when not in use if visible from street or other lots.
 7. Comply with all restrictive covenants described in the Declaration, and other rules or regulations established from time to time by the Board of Directors.

12.03 Leasing. An owner is permitted to lease or rent his fully improved lot. However, any lease or rental agreement shall be in writing and any tenant shall abide by and be subject to all terms and provisions of these By-Laws, the Declaration, the Articles, and any Association rules. Any lease or rental agreement shall specify that failure to abide by these documents shall

be a default under the lease or rental agreement. The owner shall at all times remain responsible for his tenants adherence to the terms of these documents.

12.04 Use of Common Property. Except to the extent limited by the Declaration, these By-Laws, or rules or regulations promulgated by the Board of Directors, each Member may use the Common Property located within or upon the Property in accordance with the purpose for which it were intended without hindering or encroaching upon the lawful rights of the other Members.

12.05 Assessments. All Members shall be obligated to pay assessments, against Lots owned by such Members, for such purposes and to the extent determined by the Board of Directors and in accordance with the provisions of the Declaration.

12.06 Lien. In accordance with the provisions of the Declaration, the obligation of each Member to pay assessments against a Lot owned by such Member shall be secured by a lien on the Lot owned by such Member, in favor of the Association, and such obligation shall survive any sale thereof. To the extent provided in the Declaration, an unpaid assessment shall also be a personal and continuing obligation of the Member in ownership of a Lot at such time as the unpaid assessment was levied against said Lot.

12.07 Maintenance and Repair. Except to the extent that any maintenance expense is required by the provisions of the Declaration to be a common expense of the Association, and except to the extent to which the Board of Directors undertakes, in accordance with the provisions of the Declaration, to maintain specific portions of the Property at the Association's expense, it shall be the obligation of every Member to perform promptly, at that Member's own expense, all maintenance and repair work within that Member's own Lot and any Common Property of which he has beneficial use which, if omitted would affect the Property in its entirety or in part belonging to other Members.

12.08 Reimbursement for Damage. A Member shall be obligated to promptly reimburse the Association upon receipt of its statement for any expenditures incurred by the Association in repairing or replacing any Common Property damaged by that Member's negligence or by the negligence of that members family members, tenants, guests, builders, contractors, or other agents.

12.09 Abatement and Enjoinment. The violation, by any Member, of any rule or regulation adopted by the Board of Directors, or the breach of any By-Law, or the breach of any provision of the Declaration, shall give the Board of Directors the right, in addition to any other rights set forth therein, (i) to enter onto 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 Member, any person, structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions thereof, and the Board of Directors shall not be deemed guilty in any manner of trespass, and to expel, remove and put out, using such force as may be reasonably 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.

ARTICLE THIRTEEN

EXECUTION OF DOCUMENTS

13.01 Authorized Signers. The person who shall be authorized to execute any and all contracts, documents, instruments or conveyances or encumbrances, including promissory notes, shall be the President or Vice President and the Secretary of the Association.

ARTICLE FOURTEEN

CORPORATE SEAL

14.01 Corporate Seal. The Association shall have a seal in circular form, having within its circumference the name of the corporation, the words "Corporate Seal," and the word "Texas."

ARTICLE FIFTEEN

PRINCIPAL OFFICE

15.01 Principal Office. The principal office of the Association shall be initially located at 5935-B Mendocino Drive, Dallas Texas 75248; and may be changed or located at such other suitable and convenient place as shall be permitted by law and designated by the Board of Directors.

ARTICLE SIXTEEN

MISCELLANEOUS

16.01 Conflict in Documents. In the event that any inconsistency or conflict exists between the provisions of the Declaration, these By-Laws, or any rule or regulation then in force, the inconsistency or conflict shall in every instance be controlled by the Declaration. All other provisions not in conflict shall remain in full force and effect.

16.02 Notices. Notices to Members may be given personally, by mail, telephone, or telecopy; however, any notice required to be given to members under the Declaration shall be deemed to be properly delivered when deposited in the US Mail to the members last known registered address as specified in the Declaration.

16.03 Conflict Between Members. In the event that any dispute between Members arises involving any of the Common Property, any other matters concerning the Property, or interpretation or application of these By-Laws, and the conflict cannot be resolved by the involved Members, it shall be resolved by the Board of Directors or as specified in the Declaration.

16.04 Due Process. In order to afford due process to each Member before any penalty may be finally imposed by the Board of Directors, each Member shall have the right after receiving notice of the Board's intended imposition of such action, of not less than ten (10) days

written notice served upon the Member, a hearing before the Board of Directors, *en banc*, shall then be available to any Member to present evidence for the purpose of avoiding or mitigating any penalty, at which hearing both the Association and the Member may produce evidence and present witnesses. The Board of Directors shall resolve the dispute and announce its decision, which in such instances shall be final as to all matters, except for any appeal procedure provided for in the Declaration.

16.05. Exculpation of Unavoidable Loss. The Association shall not be liable for any loss to any Member or inflicted upon any Lot or the property of the Member situated therein, brought about by flooding, water damage caused by burst pipes, acts of God or other *force majeure*. It is intended that for losses of this nature, each Member will bear the same or effect his own insurance to cover the same. Each Member may obtain additional insurance at that Member's own expense for that Member's own benefit. Insurance coverage on all furnishings and decorations and other items of personal property belonging to a Member and casualty and public liability insurance coverage within each Member's Lot are specifically made the responsibility of the Member thereof.

16.06. Definitions of Terms. The terms used in these By-Laws, to the extent they are defined in the Declaration, shall have the same definition as set forth in the Declaration, as same may be amended from time to time.

CERTIFICATE

By our signatures hereto the undersigned Directors certify that the foregoing is a true, complete, and correct copy of the By-Laws of Walnut Estates Property Owners Association, Inc., a Texas non-profit corporation as approved by its Members and adopted by the Board of Directors effective this 1ST day of MAY 1997.

By: [Signature]
Director

By: [Signature]
Director

By: [Signature]
Director

By: [Signature]
Director

By: [Signature]
Director

By: [Signature]
Director

WALNUT ESTATES PROPERTY OWNERS ASSOCIATION, INC.