

BYLAWS

OF

WATTERS CROSSING HOMEOWNERS ASSOCIATION, INC.
(A Texas Non-Profit Corporation)

Collin County, Texas

TABLE OF CONTENTS
 FOR BYLAWS OF
 WATTERS CROSSING HOMEOWNERS ASSOCIATION, INC.
 (A Texas Non-Profit Corporation)

	<u>Page</u>
ARTICLE I - NAME	1
1.1 NAME	1
ARTICLE II - PURPOSE AND OWNER OBLIGATION	1
2.1 PURPOSE	1
2.2 OWNER OBLIGATION	1
ARTICLE III - DEFINITIONS AND TERMS	1
3.1 MEMBERSHIP	1
3.2 VOTING	1
3.3 MAJORITY OF LOT OWNERS; NOTICE	2
3.4 QUORUM	3
3.5 PROXIES	3
ARTICLE IV - ADMINISTRATION	4
4.1 ASSOCIATION RESPONSIBILITIES	4
4.2 PLACE OF MEETINGS	4
4.3 ANNUAL MEETINGS	4
4.4 SPECIAL MEETINGS	4
4.5 NOTICE OF MEETINGS	4
4.6 ADJOURNED MEETING	4
4.7 ORDER OF BUSINESS	4
ARTICLE V - BOARD OF DIRECTORS	5
5.1 NUMBER AND QUALIFICATION	5
5.2 POWERS AND DUTIES	5
5.3 OTHER POWERS AND DUTIES	5
5.4 ELECTION AND TERM OF OFFICE	5
5.5 VACANCIES	7
5.6 REMOVAL OF DIRECTORS	7
5.7 ORGANIZATION MEETING	7
5.8 REGULAR MEETINGS	7
5.9 SPECIAL MEETINGS	8
5.10 TELEPHONIC MEETING	8
5.11 WAIVER OF NOTICE	8
5.12 BOARD OF DIRECTORS QUORUM	8
ARTICLE VI - OFFICERS	8
6.1 DESIGNATION	8
6.2 ELECTION OF OFFICERS	8
6.3 REMOVAL OF OFFICERS	9
	9

	<u>Page</u>
6.4 PRESIDENT	9
6.5 VICE PRESIDENT	9
6.6 SECRETARY	9
6.7 TREASURER	9
ARTICLE VII - OBLIGATIONS OF THE OWNERS	10
7.1 ASSESSMENTS	10
7.2 USE OF THE COMMON AREAS	10
7.3 GENERAL	10
ARTICLE VIII - AMENDMENTS TO BYLAWS	10
8.1 AMENDMENTS PRIOR TO TERMINATION DATE	10
8.2 AMENDMENTS AFTER TERMINATION DATE	10
ARTICLE IX - MORTGAGES	10
9.1 NOTICE TO ASSOCIATION	10
9.2 NOTICE OF UNPAID ASSESSMENTS	11
ARTICLE X - NON-PROFIT ASSOCIATION	11
10.1 NON-PROFIT PURPOSE	11

BYLAWS

OF

WATTERS CROSSING HOMEOWNERS ASSOCIATION, INC.
(A Texas Non-Profit Corporation)

ARTICLE I
NAME

1.1 NAME. The name of the organization shall be Watters Crossing Homeowners Association, Inc., hereinafter called the "Association".

ARTICLE II
PURPOSE AND OWNER OBLIGATION

2.1 PURPOSE. The Association is organized and shall be operated exclusively as a homeowners association 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. The primary purposes for which this non-profit Association is formed are to own, govern, operate and maintain the Common Areas (as defined in the Declaration) situated in Watters Crossing, an Addition to the City of Allen, Collin County, Texas ("Watters Crossing"), and to provide architectural control and compliance with the covenants and restrictions of the Declaration within Watters Crossing, all as provided in the Declaration of Covenants, Conditions and Restrictions for Watters Crossing (the "Declaration") dated JUNE 23, 1993, executed by Bon Terre-B, Ltd., a Texas limited partnership ("Declarant"), and duly recorded in Volume 93, Page , Real Property Records, Collin County, Texas.

0051170

2.2 OWNER OBLIGATION. All present or future owners, or tenants of any or all of the lots (the "Lots") in Watters Crossing (the Lots and the Common Areas being sometimes hereinafter collectively referred to as the "Property"), or any other person who might use the facilities of the Common Areas in any manner, are subject to the regulations set forth in these Bylaws. The mere acquisition or rental of any of the Lots or the mere act of occupancy of any of the Lots will signify that these Bylaws are accepted, ratified and will be strictly followed.

ARTICLE III
DEFINITIONS AND TERMS

3.1 MEMBERSHIP. Membership in the Association shall vest as follows:

(a) Any person on becoming a record owner ("Owner") of all or any part of a Lot shall automatically become a Member ("Member") of the Association and be subject to these Bylaws and

to the Declaration, including specifically the covenant in Section 3.1 of the Declaration by each Member to pay to the Association Regular Assessments and Special Assessments (as such terms are defined in Section 1.2 of the Declaration). Such membership shall terminate without any formal Association action whenever such person ceases to own all or any part of a Lot. Such termination shall not relieve or release any such former Owner from any liability or obligation incurred under or in any way connected with the Property during the period of such ownership and membership in this Association, or impair any rights or remedies which the Board of Directors of the Association or others may have against such former Owner and Member arising out of or in any way connected with such ownership and membership and the covenants and obligations incident thereto. No certificates of stock shall be issued by the Association, but the Board of Directors, if it so elects, may issue one (1) Membership Card (herein so called) per Lot to the Owner(s) of a Lot. Such Membership Card shall be surrendered to the Secretary whenever ownership of the Lot designated thereon is terminated.

(b) Declarant shall be a Member of the Association without regard to whether Declarant owns one or more specific Lots until the earlier to occur of (i) March 31, 2008, or (ii) the date Declarant and any assignee of Declarant's membership interest under this subparagraph (b) no longer own any portion of the "Phase I Property," "Phase II Property" or "Phase III Property" described in the Declaration (the "Termination Date"). On such earlier date, Declarant shall cease to be a Member of the Association unless Declarant is otherwise entitled to be a Member under subparagraph (a) above. Declarant may assign its membership interest in the Association under this subparagraph (b) to any purchaser of any portion of the Phase I Property, Phase II Property or Phase III Property by written instrument of assignment duly recorded in the Real Property Records of Collin County, Texas. Conveyance of a property interest by Declarant alone shall not constitute an assignment of Declarant's membership interest under this subparagraph (b).

3.2 VOTING. The Association shall have two (2) classes of voting membership as follows:

CLASS A: Class A Members shall be all Members other than the Class B Member. Class A Members shall be entitled to one (1) 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 (1) vote be cast with respect to any such Lot.

CLASS B: The Class B Member shall be Declarant. The Class B Member shall be entitled to two (2) votes for each vote allocated to a Class A Member hereunder. On the Termination

Date, the Class B membership shall cease; following the Termination Date, only Class A membership will exist in the Association. If Declarant assigns its membership interest in the Association under subparagraph 3.1(b) above to an assignee permitted thereunder, such assignee shall thereafter be the Class B Member.

3.3 MAJORITY OF LOT OWNERS; NOTICE. Subject to the provisions hereof, any action pertaining to increasing the maximum Regular Assessment (as defined in the Declaration) by more than 25% or to Special Assessments (as defined in the Declaration) for capital improvements, as authorized in the Declaration, shall require the assent of the majority of the vote of those who are voting in person or by proxy at a meeting duly called for that purpose, written notice of which shall be given to all Members not less than ten (10) days nor more than fifty (50) days in advance and shall set forth the purpose of such meeting. As used in these Bylaws, a "majority" shall mean the vote of at least fifty-one percent (51%) of the votes entitled to be cast by the Members present at such meeting in person or by proxy.

3.4 QUORUM.

(a) The quorum required for any action referred to in Paragraph 3.3 hereof shall be as follows:

At the first meeting called, the presence at the meeting of Members, or of proxies, entitled to cast sixty percent (60.0%) of all of the votes of the Members shall constitute a quorum. If the required quorum is not present at the first meeting, one additional meeting may be called, subject to the notice requirement hereinabove set forth, and the required quorum at such second meeting shall be one-half (1/2) of the required quorum at the preceding meeting; provided, however, that no such second meeting shall be held more than sixty (60) days following the first meeting.

(b) The quorum required for any action other than that action referred to in subparagraph (a) of this Paragraph shall be as follows:

At the first meeting called, the presence at the meeting of Members, or of proxies, entitled to cast forty percent (40.0%) of all of the votes of the Members shall constitute a quorum. If the required quorum is not present at the first meeting, one additional meeting may be called, subject to the notice requirement hereinabove set forth, and the required quorum at such second meeting shall be one-half (1/2) of the required quorum at the preceding meeting; provided, however, that no such second meeting shall be held more than sixty (60) days following the first meeting.

3.5 PROXIES. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time of each meeting.

ARTICLE IV ADMINISTRATION

4.1 ASSOCIATION RESPONSIBILITIES. The Members will constitute the Association. The responsibilities and affairs of the Association will be administered through a Board of Directors.

4.2 PLACE OF MEETINGS. All annual and special meetings of the Association shall be held at the principal office of the Association 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.

4.3 ANNUAL MEETINGS. Annual meetings shall be held the first Wednesday of May of each year.

4.4 SPECIAL MEETINGS. It shall be the duty of the President of the Association 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 (1/10) 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.

4.5 NOTICE OF MEETINGS. The Secretary shall mail notices of annual and special meetings to each Member of the Association, directed to the last known post office address of the Member, as shown on the records of the Association, by uncertified mail, postage prepaid. Such notice shall be mailed not less than ten (10) days nor more than fifty (50) days before the date of such meeting and shall state the date, time and place of the meeting and the purpose or purposes thereof. In lieu of mailing notice as herein provided, such notice may be delivered by hand or left at the Member's residence in his absence. If requested, any mortgagee of record or its designee may be entitled to receive similar notice.

4.6 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, as provided in Paragraph 3.4 hereof.

4.7 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, if applicable.
- g. Unfinished business.
- h. New business.

ARTICLE V
BOARD OF DIRECTORS

5.1 NUMBER AND QUALIFICATION. The affairs of this Association shall be governed by a Board of Directors composed of three (3) persons. The members of the initial Board of Directors as set forth in the Articles of Incorporation are the following persons, who shall act in such capacity and shall manage the affairs of the Association until their successors are elected, to-wit:

<u>NAME</u>	<u>ADDRESS</u>
Walter J. Humann	2000 Fountain Place 1445 Ross Avenue Dallas, Texas 75202-2785
Joel H. Robuck	3816 Bryn Mawr Dallas, Texas 75225
Geraldine Anderson	2000 Fountain Place 1445 Ross Avenue Dallas, Texas 75202-2785

5.2 POWERS AND DUTIES. The Board of Directors shall have the powers and duties necessary for the operation and maintenance of the Common Areas and the administration of the other responsibilities and affairs of the Association, specifically including, without limitation, the powers and duties set forth in the Declaration. 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 by the Declaration directed to be exercised and done by the Members.

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

(a) To administer and enforce the covenants, conditions, restrictions, uses, limitations, obligations and all other provisions set forth in the Declaration.

(b) To establish, make and enforce compliance with rules, conditions, restrictions, limitations and all other provisions necessary for the orderly operation, use and maintenance of the Common Areas. (A copy of such rules shall be delivered or mailed to each Member promptly upon the adoption thereof.)

(c) To keep in good order, condition and repair the Common Areas and all items of personal property used in the enjoyment of the Common Areas.

(d) To insure and keep insured the Common Areas in an amount equal to the maximum replacement value of the improvements thereon, if any. Further to obtain and maintain commercial general liability insurance covering the Common Properties in amounts not less than One Hundred Thousand Dollars (\$100,000.00) per person, Three Hundred Thousand Dollars (\$300,000.00) per accident and Fifty Thousand Dollars (\$50,000.00) for property damages, with an annual aggregate of not less than One Million Dollars (\$1,000,000.00). To insure and keep insured all the fixtures, equipment and personal property acquired by the Association for the benefit of the Association, the Members and their mortgages.

(e) 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 the Declaration; to levy and collect Special Assessments in order to meet increased operating or maintenance expenses or costs, additional capital expenses, and other expenses and costs for which a Special Assessment is authorized under the Declaration. 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.

(f) To collect delinquent assessments by suit or otherwise and to enjoin or seek damages from an Owner, as provided in the Declaration and by these Bylaws.

(g) To protect and defend the Common Areas from loss and damage by suit or otherwise.

(h) To borrow funds in order to pay for any required expenditure or outlay; to execute all such instruments evidencing such indebtedness; and to mortgage, pledge or hypothecate any or all of the real or personal property of the Association as security for money borrowed or debts incurred in connection with the affairs of the Association.

(i) To enter into contracts within the scope of their duties and power.

(j) 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.

(k) 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 Lot. The Association 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 Lot, on request, within ninety (90) days following the fiscal year end of the Association. Any Member may require that the Association cause to be prepared and delivered, at such Member's expense, an audited financial statement of the Association. In addition, each Member shall have the right to inspect the books and records of the Association during normal business hours.

(l) To meet at least once each calendar year.

(m) To designate and employ the personnel necessary for the maintenance and operation of the Common Areas.

(n) In general, to carry on the administration of this Association 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 Areas.

5.4 ELECTION AND TERM OF OFFICE. At each annual meeting of the Members, the Members shall elect Directors 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 for the term for which he is elected and until his successor shall have been elected and qualified or until his earlier death, resignation, retirement, disqualification or removal.

5.5 VACANCIES. Vacancies on the Board of Directors caused by any reason other than the removal of a Director by a vote of the Association shall be filled by 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 term of his predecessor.

5.6 REMOVAL OF DIRECTORS. At any regular or special meeting duly called, any one (1) or more of the Directors may be removed with or without cause by a majority vote of the Members, 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.

5.7 ORGANIZATION MEETING. The first (1st) meeting of a newly elected Board of Directors shall be held within ten (10) days of 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, providing a majority of the whole Board shall be present.

5.8 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 (1) such meeting shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally, by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

5.9 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 two (2) Directors. The President or Secretary will give three (3) days' personal notice to each Director by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

5.10 TELEPHONIC MEETING. The Board 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.

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 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.

ARTICLE VI OFFICERS

6.1 DESIGNATION. The officers of the Association shall be a President, Vice President, Secretary and Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may, in its sole discretion, elect to combine any two or more offices such that one person shall hold the combined offices, except that the offices of President and Secretary may not be combined.

6.2 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 of Directors and shall hold office at the pleasure of the Board of Directors.

6.3 REMOVAL OF OFFICERS. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his 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.

6.4 PRESIDENT. The President shall be the chief executive officer of the Association. The President shall preside at all meetings of both the Association 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 association, including, but not limited to, the power to appoint committees from among the Members to assist in the administration of the affairs of the Association. The President, or his designated alternate, shall represent the Association at all meetings of the Association.

6.5 VICE PRESIDENT. The Vice President shall perform all of the duties of the President in his absence and such other duties as may be required of him from time to time by the President or the Board of Directors.

6.6 SECRETARY.

(a) The Secretary shall keep the minutes of all 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 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 Association a complete list of Members and their last known addresses as shown on the records of the Association. Such list shall be open to inspection by Members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

6.7 TREASURER. The Treasurer shall receive and deposit in appropriate bank accounts all money of the Association and shall disburse such money as directed by resolution of the Board of Directors; provided, however, that a resolution of the Board of Directors shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board of Directors. The Treasurer shall also have the authority to: keep proper books of account; cause an annual statement of the Association'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 him by the Board of Directors.

ARTICLE VII OBLIGATIONS OF THE OWNERS

7.1 ASSESSMENTS. All Owners shall be obligated to pay the assessments imposed by the Association in accordance with the Declaration. A Member shall be deemed to be in good standing and entitled to vote at any annual or special meeting of Members, within the meaning of these Bylaws, only if he is current in the assessments made or levied against him and the Lot owned by him.

7.2 USE OF THE COMMON AREAS. Each Member may use the Common Areas in accordance with the purposes for which they were intended. The Board of Directors shall have the right to suspend a Member's right to use the Common Areas in the event such Member is delinquent in the payment of any assessments as provided in the Declaration.

7.3 GENERAL. Each Owner shall comply strictly with the provisions of the Declaration.

ARTICLE VIII AMENDMENTS TO BYLAWS

8.1 AMENDMENTS PRIOR TO TERMINATION DATE. Prior to the Termination Date, these Bylaws may be amended or repealed, or new bylaws may be adopted, only upon the express written consent of the Members holding at least two-thirds (2/3) of all the outstanding votes of the Members of the Association; or by a resolution passed by the majority of the Board evidencing the consent of the Members holding at least two-thirds (2/3) of all the outstanding votes of the Members and authorizing the President of the Association to execute such amendments.

8.2 AMENDMENTS AFTER TERMINATION DATE. On and after the Termination Date, these Bylaws may be amended or repealed, or new 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 (2/3) of the Members 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 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.

ARTICLE IX MORTGAGES

9.1 NOTICE TO ASSOCIATION. An Owner who mortgages his Lot shall notify the Association through the President or Secretary

of the Association, giving the name and address of his mortgagee. The Association shall maintain such information in a book entitled "Mortgagees of Lots".

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

ARTICLE X
NON-PROFIT ASSOCIATION

10.1 NON-PROFIT PURPOSE. This Association is not organized for profit. No Lot Owner, Member, Director 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 a salary or as compensation to, or distributed to or inure to the benefit of any Director; provided, however, always (1) that reasonable compensation may be paid to any Member 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 Director may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association, subject to prior approval by the Board of Directors.

CERTIFICATE

I HEREBY CERTIFY that the foregoing is a true, complete and correct copy of the Bylaws of WATERS CROSSING HOMEOWNERS ASSOCIATION, INC., a Texas non-profit corporation, as adopted by the Board of Directors by unanimous consent in lieu of organizational meeting on the 10 day of October, A.D., 1993.

IN WITNESS WHEREOF, I hereunto set my hand this the 11th day of October, A.D., 1993.


Secretary

**FIRST AMENDMENT TO BYLAWS
OF WATTERS CROSSING HOMEOWNERS ASSOCIATION, INC.**

THIS FIRST AMENDMENT TO BYLAWS OF WATTERS CROSSING HOMEOWNERS ASSOCIATION, INC. (this "Amendment") is executed as of October 9, 1996, by Bon Terre-B, Ltd., a Texas limited partnership ("Declarant").

RECITALS:

A. Watters Crossing Homeowners Association, Inc. (the "Association") is a Texas nonprofit corporation organized August 6, 1993. The affairs of the Association are governed by Bylaws (herein so called) adopted by the Board of Directors of the Association on October 10, 1993.

B. On the date of this Amendment, Declarant remains the Class B Member of the Association and holds at least 2/3 of all the outstanding votes of the Members of the Association.

C. Declarant desires to amend the Bylaws pursuant to Section 8.1 thereof.

NOW, THEREFORE, Declarant consents and agrees as follows:

1. Definitions. Capitalized terms used in this Amendment without definitions have the respective meanings assigned to them in the Bylaws.

2. Director Vacancies. Section 5.5 of the Bylaws is deleted in its entirety and the following section is substituted in its place:

5.5 VACANCIES. On the Termination Date, any Director who is an employee, partner or officer of a partner of, or a consultant or officer of a consultant to, Declarant shall resign. Simultaneously with such resignation, Declarant shall appoint in writing a Member of the Association to replace each resigning Director for the duration of such Director's term. Otherwise, vacancies on the Board of Directors caused by any reason other than the removal of a Director by a vote of the Association shall be filled by 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 term of his predecessor.

3. Initiation Fee. Pursuant to a Second Amendment and Supplement to Declaration of Covenants, Conditions and Restrictions for Watters Crossing of even date herewith, the Declaration has been amended to impose an initiation fee on each Owner who acquires title to a Lot on or after January 1, 1997

intending to use the residence constructed thereon as a home. In connection with such initiation fee, the following provisions of the Bylaws are amended:

(a) The first sentence of Section 3.3 of the Bylaws is deleted and the following sentence is substituted in its place:

Subject to the provisions hereof, any action pertaining to increasing the initiation fee or the maximum Regular Assessment (as defined in the Declaration) by more than 25%, or any action pertaining to Special Assessments (as defined in the Declaration) for capital improvements as authorized in the Declaration, shall require the assent of the majority of the Members who are voting in person or by proxy at a meeting duly called for that purpose, written notice of which shall be given to all Members not less than ten (10) days nor more than fifty (50) days in advance and shall set forth the purpose of such meeting.

(b) The first sentence of Section 5.3(e) of the Bylaws is deleted and the following sentence is substituted in its place:

To fix, determine, levy and collect the initiation fee and 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 initiation fee and/or the Regular Assessments, subject to the provisions of the Declaration; to levy and collect Special Assessments in order to meet increased operating or maintenance expenses or costs, additional capital expenses, and other expenses and costs for which a Special Assessment is authorized under the Declaration.

(c) Section 5.3(f) of the Bylaws is deleted in its entirety and the following section is substituted in its place:

(f) To collect delinquent fees or assessments by suit, lien foreclosure (as provided in the Declaration) or otherwise and to enjoin or seek damages from an Owner for violation of the Declaration, these Bylaws or the rules and regulations of the Association.

(d) Section 7.1 of the Bylaws is deleted in its entirety and the following section is substituted in its place:

7.1 FEES AND ASSESSMENTS. All Owners shall be obligated to pay the initiation fee and the assessments imposed by the Association in accordance with the

Declaration. A Member shall be deemed to be in good standing and entitled to vote at any annual or special meeting of Members, within the meaning of these Bylaws, only if he is current in the initiation fee and assessments levied against him and the Lot owned by him.

(e) The second sentence of Section 7.2 of the Bylaws is deleted and the following sentence is substituted in its place:

The Board of Directors shall have the right to suspend a Member's right to use the Common Areas (a) in the event such Member is delinquent in the payment of the initiation fee or any assessments as provided in the Declaration and (b) for a reasonable period, in the Board's discretion, in response to any infraction of the Association's rules and regulations.

4. Ratification. Except as modified by this Amendment, the Bylaws remain in full force and effect. The Bylaws, as amended hereby, are ratified and confirmed.

IN WITNESS WHEREOF, Declarant has executed this Amendment as of the date first above written.

BON TERRE-B, LTD., a Texas limited partnership


By: WJH Corporation, a Delaware corporation, its general partner

By: 
Walter J. Humann, President

CERTIFICATE

I HEREBY CERTIFY that the foregoing is a true, complete and correct copy of the First Amendment to Bylaws of Watters Crossing Homeowners Association, Inc., as adopted by the Board of Directors by unanimous consent in lieu of special meeting on October 9, 1996.

IN WITNESS WHEREOF, I hereunto set my hand as of October 9, 1996.


Secretary