DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR

Villa Cresta del Pino

(A Townhome Development)

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EXHIBIT "A" BYLAWS

OR 01471 00497

DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS FOR
Villa Cresta del Pino

(A Townhome Development)

This DECLARATION OF COVENANTS, CONDITIONS, and RESTRICTIONS (the "Declaration"), is made and effective as of the 16th day of December, 2008, by TYUS DEVELOPMENT, LP, by its General Partner, HAYNIE TYUS LAND DEVELOMENT, LLC (the "Declarant"), and supersedes and replaces any prior covenants:

WITNESSETH:

WHEREAS, the Declarant is the owner of a certain tract of real property located in the City of Fairfield, Freestone County, Texas (the "Project Tract"), described as follows:

Villa Cresta del Pino Phase 1, 2.101 acres, R. Gainer League A-12, Freestone County, Texas

BEING ALL THAT CERTAIN TRACT OR PARCEL SITUATED IN THE R. GAINER LEAGUE, ABSTRACT 12 IN FREESTONE COUNTY, TEXAS AND BEING OUT OF A CALL 12.84 ACRES OF LAND DESCRIBED IN VOLUME 1137, PAGE 656 OF THE OFFICIAL RECORDS OF FREESTONE COUNTY, TEXAS AND BEING FURTHER DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

Beginning at a found 3/8" iron rod for the northwest corner of said 12.84 acre tract and being the southwest corner of a called 5.54 acre tract described in the volume 815, page 168 of the deed records of Freestone County, Texas in the east margin of Ronnie Street;

Thence S 89'43'49' E. along the north boundary line of said 12.84 acre tract and south boundary line of said 5.54 acre tract, 365.84 feet to a 5/8" iron rod with orange plastic cap found for the northwest corner of the herein described tract:

Thence S 01'54'41"W. 76.84 feet to a 5/8" iron rod with orange plastic cap found for corner;

Thence S 06'26'23" E. 45.92 feet to a 5/8" iron rod with orange plastic cap set for corner;

Thence S 00'48'03" W. 153.89 feet to a 5/8" iron rod with orange plastic cap set for corner;

Thence S 87'02'45" W. 248.02 feet to a 5/8" iron rod with orange plastic cap set for corner;

Thence N 00'03'20" E. 112.63 feet to a 5/8" iron rod with orange plastic cap set for corner;

Thence West, 104.78 feet to a 5/8 iron rod with orange plastic cap set for corner on the south right of way line of Pine Ridge Court Street;

Thence S 49'31'39" W. along the south R.O.W. of said Pine Ridge Court Street, 20.33 feet to a 5/8 iron rod with orange cap set in the west boundary line of said 12.84 acre tract and East Margin of said Ronnie Street;

Thence N 00'28'00" E. (Deed call – N 0'28'00"E.) along the west boundary line of said 12/84 acre tract and east margin of said Ronnie Street. 191.38 feet to the "Point of Beginning" and containing 2.101 acres of land with these calls.

(See survey plat of same date, bearings based on west boundary line of called 12.84 acre tract, Volume 1137, Page 656 Official Records of Freestone County, Texas.

*After the slabs are poured for the 4 units (one building) to be constructed, the property will be resurveyed for an as built on the ground survey for the preparation of a plat that will be recorded in the plat records of Freestone County, Texas and said recorded as built plat shall be in incorporated herein in addition to the above metes and bounds description.

WHEREAS, the Declarant proposes to develop and improve the Project Tract by constructing a townhome project to be known as **Villa Cresta del Pino**, (Phase 1) consisting of four (4) townhomes which shall be built on the designated Townhome Sites within the Project Tract, and

WHEREAS, the Declarant desires to ensure the preservation of the value of the townhome project and provide for the maintenance of the common area, and to this end desires to subject the Project Tract to the covenants, restrictions, easements, charges, and liens hereinafter set forth,

NOW, THEREFORE, Declarant declares that the Project Tract, and such phases or additions thereto as may hereinafter be made, is and shall be held, transferred, sold, conveyed, occupied, and enjoyed subject to the following covenants, restrictions, easements, charges, and liens hereinafter set forth and shall hereafter be subject to the jurisdiction and assessments of Villa Cresta del Pino Community Association, to-wit:

ARTICLE I

CERTAIN DEFINITIONS

The following words, when used in this Declaration, in any amendment or supplementary declaration, or the attached By-laws (unless the context shall otherwise clearly indicate or prohibit), shall have the following respective concepts meanings:

a. "Association" means the Texas non-profit corporation organized under the name of "Villa Cresta del Pino Community Association," of which all Townhome Site Owners shall be members, and which corporation shall administer the operation and management of the Project Tract.

b. "Board" means the Board of Directors of Villa Cresta del Pino Community Association.

c. "Townhome Site" means and refers to the lettered, numbered, and defined tracts of land as shown on the recorded plat of the Project Tract.

d. "Townhome Site Owner" means the record title owner, whether one or more persons or entities, of the fee simple title of a Townhome Site. It shall not include those having such interests merely as security for the performance of an obligation, and shall not mean or refer to any mortgagee unless and until such mortgagee has acquired title pursuant to foreclosure of a lien on a townhome site held by such mortgagee.

e. "Bylaws" means the Association's Bylaws attached hereto as Exhibit "A".

f. "Common Area" means all real property owned by the Association for the common use and enjoyment of the Townhome Site Owners, and includes all of the Project Tract save and except the Townhome Sites.

g. "Common Expense Liability" means and includes all expenditures made and liabilities incurred by the Association for maintenance, repair, operation, management, and administration of the Common Area; all expenses declared common expenses by this Declaration or the Bylaws; and all sums lawfully assessed by the Association against the Townhome Site Owners, including, but not limited to, all amounts assessed against a Townhome Site Owner for repairs made by the Association at the expense of such Townhome Site Owner, or as a fine against such Townhome Site Owner, as provided by the Bylaws.

h. "Declaration" means this particular instrument together with any and all amendments or supplements.

i. "Disposition" means a voluntary transfer to a purchaser of any legal or equitable interest in a Townhome Site but does not include the transfer or release of a security interest.

j. "Plat" means the plat of Villa Cresta del Pino as shown by the plat thereof to be prepared and recorded in the Map Records of Fairfield County, Texas after the slabs for the sixteen units (four buildings) are poured and the property is resurveyed for an "as built" survey.

k. "Special Declarant Rights" means rights reserved for the benefit of the Declarant to exercise the following:

(1) the option to add to the Project Tract all or part of the tract of land owned by the Declarant and adjoining the Project Tract, and more fully described as follows (sometimes referred to as the "Reserve Tract"):

The real property owned by Declarant containing 12.840 acres more or less, more fully described by metes and bounds in WARRANTY DEED, dated January 19, 2000, from HAYNIE B. TYUS and DONNA T. SCHAUFERT, Trustees of the Haynie B. Tyus Revocable Trust dated December 3, 1992, recorded in Volume 1137, Page 656, Official Records of Freestone County, Texas, save and except and excluding the 2.101acres described above to be used for Phase I, and save and except and excluding the oil, gas and other minerals, in and under and that may be produced from the tract.

(2) the option to construct townhomes on the Townhome Sites indicated on the Reserve Tract, and to annex such additions to the Project Tract,

(3) the option not to undertake the addition of Reserve Tract to the Project Tract,

(4) the option not to construct any townhomes on the Reserve Tract,

(5) the option to maintain townhome models, sales staff, management, and offices on the Project Tract, together with signs advertising the project,

(6) the use of the Common Elements as an easement for the purpose of making improvement within the Project Tract and/or the Reserve Tract, and

(7) the power to appoint or remove any officer or board member of the association prior to the first meeting of members pursuant to 1.07 of the Bylaws,

(8) the option to build up to eight (8) townhomes in the (two buildings) on Project Tract.

ARTICLE II
PHASED CONSTRUCTION OF THE TOWNHOME PROJECT

The Project Tract together with all improvements constructed or to be constructed thereon shall be and are, held, transferred, sold, conveyed and occupied subject to this Declaration. The construction of the townhomes shall consist of Phase I described below and may consist of the Phases II through IV, to wit:

a. "Phase I", consisting of the four (4) townhomes consisting of one (1) building to be built on the 2.101 acre tract described and restricted herein, which will be designated Building A with each building containing four (4) townhomes. Phase I shall also contain the gated entrance. After the slabs of the three buildings are completed an on the ground survey shall be performed and a plat shall be prepared and filed showing the exact location of the buildings and unit designations, which recorded plat shall be incorporated in this Declaration;

The following phases may be constructed on all or portions of the Reserve Tract, at Declarant's (its successors or assigns) discretion and may consist of the buildings, units and improvements as follows:

b. "Phase II" consisting of up to eight (8) proposed townhomes consisting of two (2) buildings to be built on a portion of the Project Tract, which may be designated Buildings B and K. The addition of a portion of the Reserve Tract to the Project Tract together with the construction of the additional townhomes is planned but NEED NOT BE ADDED OR BUILT. Should Declarant exercise Declarant's Special Right to dedicate a portion of Reserve Tract to the Project Tract and build Phase III, such right and completion must be exercised on or before five (5) years after the date of this Declaration; and

c. "Phase III" consisting of twelve (12) proposed townhomes consisting of three (3) buildings to be built on a portion of the Project Tract, which may be designated Buildings C, D, G, and Club House. The addition of a portion of the Reserve Tract to the Project Tract together with the construction of the additional townhomes is planned but NEED NOT BE ADDED OR BUILT. Should Declarant exercise Declarant's Special Right to dedicate a portion of Reserve Tract to the Project Tract and build Phase II, such right and completion must be exercised on or before five (5) years after the date of this Declaration; and

d. "Phase IV" consisting of sixteen (16) proposed townhomes consisting of four (4) buildings to be built on a portion of the Reserve Tract, which may be designated Buildings E F, H, and I. The addition of a portion of the Reserve Tract to the Project Tract together with the construction of the additional townhomes is planned but NEED NOT BE ADDED OR BUILT. Should Declarant exercise Declarant's Special Right to dedicate a portion of Reserve Tract to the Project Tract and build Phase III, such right and completion must be exercised on or before five (5) years after the date of this Declaration; and

e. "Phase V" consisting of a pool to be built on a portion of the Reserve Tract. The addition of a portion of the Reserve Tract to the Project Tract together with the construction of the additional improvements is planned but NEED NOT BE ADDED OR BUILT. Should Declarant exercise Declarant's Special Right to dedicate a portion of Reserve Tract to the Project Tract and build Phase V, such right and completion must be exercised on or before five (5) years after the date of this Declaration; and

f. "Phase VI" consisting of sixteen (16) proposed townhomes consisting of four (4) buildings to be built on a portion of the Reserve Tract, which may be designated Buildings J, L, M, N and The addition of a portion of the Reserve Tract to the Project Tract together with the construction of the additional townhomes is planned but NEED NOT BE ADDED OR BUILT. Should Declarant exercise Declarant's Special Right to dedicate a portion of Reserve Tract to the Project Tract and build Phase IV, such right and completion must be exercised on or before five (5) years after the date of this Declaration.

g. "Phase VII" consisting of a storage building or buildings to be built on a portion of the Reserve Tract, which may be designated Buildings as designed and numbered. The addition of a portion of the Reserve Tract to the Project Tract together with the construction of the storage building or buildings is planned but NEED NOT BE ADDED OR BUILT. Should Declarant exercise Declarant's Special Right to dedicate a portion of Reserve Tract to the Project Tract and build Phase IV, such right and completion must be exercised on or before five (5) years after the date of this Declaration.

Declarant shall exercise Declarant's Special Right to add portions of the Reserve Tract to the Project Tract for the construction of Phases II though VII (either as currently planned or as later modified by the Declarant at the Declarant's sole discretion) by giving 30 days written notice to all Townhome Site Owners, and preparing, executing, and recording an amendment to this Declaration thereby annexing such portions of the Reserved Tracts to the Project Tract. The Amendment shall be executed solely by the Declarant and the lien holders on the Reserved Tracts, if any, and shall include a replat of portions of the Reserved Tract if the Townhome Sites are not located as shown on the current Plat. If they are annexed, this Declaration shall bind all Townhome Site Owners of any part of prior Phases with the same effect as if the Phases and portion or portions of the Reserved Tract were originally subject to and described in this Declaration.

Should Declarant elect not to exercise Declarant's Special Right' on or before the expiration of five (5) years from the date of this Declaration as to future Phases, such right shall lapse, and unbuilt future Phases shall not be added or built without prior amendment to this Declaration as provided in paragraph 13.

This Declaration, including, but not limited to this section, does not create or vest the association or the Townhome Site Owners with any present or future interest in all or any part of the Reserve Tract, unless such tract or portions are annexed. Declarant may replat, sell and convey all or part of the Reserve Tract free and clear of this Declaration should Declarant, in Declarant's sole discretion, elect not to exercise the Special Declarant Rights to annex all or part of the Reserve Tract.

ARTICLE III
DISPOSITION

As shown on the Plat, the Project Tract shall contain four (4) (and up to eight (8) more townhomes) numerically lettered and numbered Townhome Sites, and may contain up to sixty (60) numerically lettered and numbered Townhome Sites, club house, pool and storage buildings in the event the Declarant exercises all of Declarant's Special Right to construct future Phases. Each Townhome Site Owner will own his respective Townhome Site, and it may be individually conveyed and encumbered and may be the subject of ownership, possession, sale, or disposition as if it were entirely independent of the Townhome Sites of which it forms a part.

ARTICLE IV
COMMON ELEMENTS AND EXPENSES

The Common Elements and any improvements thereto shall remain undivided and may not be the object of an action for partition or division of co-ownership so long as the Project Tract is suitable for a townhome project. Each Townhome Site Owner shall contribute pro-rata towards the expenses of administration, maintenance, and repairs of the Common Elements and other expenses or assessments agreed upon by the Association. No Townhome Site Owner shall be exempt from contributing toward such expenses by waiver of the use or enjoyment of the Common Elements, or by abandonment of the Owner's Townhome Site.

ARTICLE V
MAINTENANCE RESPONSIBILITIES

Notwithstanding the ownership of the Townhome Sites by the Townhome Site Owners and the ownership of the Common Elements by the Association, the provisions of the Bylaws shall govern the division of maintenance and repair responsibilities between the individual Townhome Site Owners and the Association.

ARTICLE VI
USE OF TOWNHOME SITES

No Townhome Site Owner shall use his or her Townhome Site or any part or portion of the Common Elements: (1) in any manner inconsistent with the purpose of this Declaration or the Bylaws, or (2) in any manner so as to interfere with or impair the rights of another Townhome Site Owner in the use and enjoyment of his or her Townhome Site or the Common Elements. It is expressly agreed and understood that each Townhome Site Owner shall have the right to lease his townhome on any basis not inconsistent with the Bylaws. Notwithstanding this foregoing, the Declarant shall have the right to retain and dedicate one (1) Townhome Site for use as a sales model, office, and other business use related to the townhome project, may engage employees, agents, or independent contractors to effectuate sales, or such other business uses, and may allow such employees, agents or independent contractors to reside in, and/or conduct business from the designated sales unit.

ARTICLE VII
DAMAGE AND CONDEMNATION

If the Project Tract or any townhome constructed on a Townhome Site is totally or partially damaged or destroyed, or totally or partially taken by eminent domain, the repair, reconstruction, or disposition thereof shall be as provided by the By-laws.

ARTICLE VIII
ENCROACHMENTS

If any portion of the Common Elements encroaches upon a Townhome Site, an easement is hereby granted and conveyed for the encroachment and its maintenance, so long as it is deemed necessary by the Association. Until all the townhomes, improvements and other facilities are constructed, and in the event any portion of a townhome constructed on a Townhome Site is partially or totally destroyed, and then rebuilt or reconstructed, an easement shall exist for any resulting construction or encroachments and such easements are hereby reserved for Declarant and all Townhome Site Owners, and such easements for construction and encroachments shall extend to all Townhome Sites and Common Elements.

ARTICLE IX
PARTY WALLS

Each wall which is built as part of the original construction of the townhomes and placed on the dividing line of two Townhome Sites shall constitute a Party Wall, and, to the extent not inconsistent with the provision of this Declaration, the general rule of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto. Notwithstanding the forgoing, the following rules shall apply to all party walls:

a. No Townhome Site Owner shall cut through or make any penetration through a party wall for any purpose whatsoever.

b. If a party wall is destroyed or damaged by fire or other casualty, then, to the extent that such damage is not covered by insurance and repaired out of the proceeds of the same, a Townhome Site Owner who has used the wall may restore it, and if the other Townhome Site Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in equal proportions without prejudice, however, to the right of the restoring Townhome Site Owner to call for a larger contribution from the other under any rule of law regarding liability for negligence or willful acts or omissions.

ARTICLE X
ASSOCATION MEMBERSHIP

Each Townhome Site Owner shall automatically become a member of the Association, and shall remain a member thereof until such time as his Townhome Site ownership ceases for any reason, at which time his membership shall automatically cease. The Association shall elect from among its members a Board of Directors to consist of not less than three members, who shall serve in such office without pay or compensation for such terms as specified in the By-Laws or until their successors are duly elected in accordance with the provisions of the By-Laws. Such Board of directors shall manage and govern the affairs of the Association, and it shall have such powers, functions, authority, duties, obligations and responsibilities as shall be specified in said By-Laws and as may be delegated to it from time to time by the Association.

ARTICLE XI
BYLAWS

The government and administration of the Project Tract shall be in accordance with this Declaration and the By-Laws.

ARTICLE XII
SANCTIONS

Each Townhome Site Owner, tenant or occupant of any Townhome Site shall comply with the provisions of this Declaration, the By-Laws and the valid decisions or resolutions of the Association, as lawfully amended from time to time, and failure to comply with any such provisions, decisions, or resolutions shall be grounds for an action to recover sums due, for damages, and/or for injunctive relief.

ARTICLE XIII
AMENDMENTS

This Declaration may be amended only by a vote or agreement of Townhome Site Owners to which at least seventy five percent (75%) of the votes in the Association are allocated. Notwithstanding this right to amend, no amendment shall create or increase any of the Special Declarant Rights, increase the number of Townhome Sites in the Project Tract, or change the boundaries of a Townhome Site unless the amendment is approved by one hundred percent (100%) of the votes in the Association.

ARTICLE XIV
ASSESSMENTS

All Townhome Site Owners are bound and obligated to contribute monthly or as otherwise periodically assessed by the Association, or by the Board of Directors when authorized to do so by the By-Laws, their pro-rata part of the expenses of administration, upkeep, maintenance and repair Of the Common Elements, and of any other valid expense or charge assessed pursuant to authority given by this Declaration or the By-Laws. Each assessment shall become due and payable within ten days from the date such assessment is made unless otherwise specified in By-Laws, and such assessments shall become liens against the respective Townhome Sites for their pro-rata share thereof at the time such assessments become due and payable unless otherwise specified in said By-laws.

ARTICLE XV
ASSESSMENT LIENS

An assessment levied by the Association is a personal Obligation of the Townhome Site Owner and is secured by a continuing lien on the Townhome Site and on the rents and insurance proceeds received by the Townhome Site Owner and relating to the Townhome Site. By acquiring a Townhome Site, a Townhome Site Owner hereby grants to the Association a power of sale in connection with and in enforcement of the Association's lien. The priority and the Associations foreclosure of the lien shall be as follows:

a. The Association's lien for assessments is created by recordation of this Declaration which shall constitute record notice and perfection of the lien. No other recordation of a lien or notice of lien is required.

b. By written resolution, the Board of Directors of the Association may appoint, from time to time, an officer, agent, trustee, or attorney for the Association to exercise the power of sale on behalf of the Association.

c. The power of sale and foreclosure of the Association's lien shall be exercised as provided by Section 51.002 of the Texas Property Code. The debt secured by the Association's lien for delinquent assessments shall include all interest, on the delinquent assessment at the highest rate permitted by law, together with costs of collection and all reasonable attorney's fees incurred as a result of its enforcement

d. The Association's lien shall be prior to other liens, except that the Association's lien shall be subordinate, secondary, and inferior to (1) all valid liens for taxes or special assessments levied by the city, county, and the state, or any political subdivision or special district thereof, and (2) valid liens securing amounts due or to become due under any purchase money vendor's lien and/or deed of trust filed for record prior to the date payment of such assessment for common expenses or fines become due.

e. The Association shall have power to bid at the foreclosure sale, and to acquire, hold, lease, mortgage and convey the Townhome Site in behalf of Association. Any unpaid balance remaining after application of the proceeds shall be deemed to be common expenses collectible from all of the Townhome Site Owners, including the purchaser at the foreclosure sale, his successors and assigns, on a pro-rata basis.

ARTICLE XVI
INSURANCE

The Association may, upon proper resolution, obtain and continue in effect blanket property insurance to insure the buildings and the Townhome Site Owners against risks of whatever character, without prejudice to the right of each Townhome Site Owner to insure his own Townhome Site on his own account and for his own benefit. Such insurance may be written in the name of the Association or any person designated in the By-Laws for such Townhome Site Owner and each Townhome Site Owner's mortgagee, if any. Each Townhome Site Owner and his mortgagee, if any, shall be a beneficiary, even though not expressly named. The insurance cost and premiums for the blanket insurance coverage shall be a Common Expense Liability to be paid as determined by the Association, and all such payments collected for insurance shall be used solely for the payment of such insurance cost or premiums as the same become due. In case of fire or other disaster or damage to or destruction of any property subject to this Declaration, the insurance proceeds and any insurance fund and any earnings thereon, shall be applied or disbursed, and the repair, reconstruction, or disposition of such property and the obligations of the Townhome Site Owners shall be as provided for by the By-Laws.

ARTICLE XVII
VA, FHA, FNMA, FHLMC AND HUD COMPLIANCE

If this project has been or shall be approved by the Veteran's Administration ("V A"), the Federal Housing Administration ("FHA"), the Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC") or the Department of Housing and Urban Development, the following shall will, to wit:

a. If the townhome project has been approved by the VA, the Declarant must purchase (at Declarant's own expense) a liability insurance policy in an amount determined by the Administrator to cover any liability to which Townhome Site Owners of previously sold Townhome Sites might be exposed. This policy should be endorsed as "the Townhome Site Owner's interest might appear".

b. If this townhome project is a VA project, any amendments to this Declaration or annexations of property must be approved by the VA before it will be valid. Failure by the VA to deliver or post a response within thirty (30) days after the written request was mailed, then the request shall be deemed approved.

c. If necessary to comply with requirements of FHLMC, the Association agrees to give FHLMC notice (c/o each servicer at servicer's address) in writing of any loss to, or taking of, the Common Elements of the Townhome Project if such loss or taking exceeds

$10,000.00 or damage to a Townhome Site covered by a Mortgage purchased in whole or in part by FHLMC exceeds $1,000.00.

d. If necessary to comply with FNMA, the Association and Townhome Site Owners agree to comply with the provisions of any regulatory agreement with FNMA, as lawfully amended from time to time; provided however, Declarant, prospective purchaser(s), Townhome Site Owner(s) and/or the Association (as the case may be) shall have the reasonable opportunity to inspect and approve the provisions and conditions of the regulatory agreement or amendments thereto, and the regulatory agreement shall, if applicable, be attached hereto as an Exhibit prior to the filing of this Declaration for record.

ARTICLE XVIII
WRITTEN NOTICE REQUIRED

All notices, communications and remittances to the Board of Directors or the Association shall be sent to it at its mailing address which may be established from time to time and of which the Townhome Site Owners shall be notified.

ARTICLE XIX
SEVERANCE

In the event any of the declarations or provisions hereof shall be finally held invalid or unenforceable by any Court of competent jurisdiction, the same shall not affect the validity or enforceability of any of the other declarations and provisions hereof. If any declaration or provision herein contained shall be susceptible of two or more interpretations, the interpretation which shall most nearly be in accord with the purposes and intents hereof shall govern.

ARTICLE XX
OMISSION

In the event of the omission therefrom of any declaration, stipulation or provision which shall be vital, necessary, or expedient for the accomplishment of the purposes and intents of this Declaration, this Declaration shall not thereby fail in whole or in part, but any and all omitted matter shall be supplied herein by amendment to this Declaration.

ARTICLE XXI

DISPUTE RESOLUTION AND LIMITATION ON LITIGATION

A. Agreement to Avoid Litigation:

The Declarant, Owners and the Villa Cresta del Pino Association ("Association"), its Officers, Directors, and committee members, all persons subject to this Declaration, and any person not otherwise subject to the Declaration who agrees to submit to this Article (collectively, "bound parties") agree to encourage the amicable resolution of disputes involving the Subdivision, without the emotional and financial costs of litigation. Accordingly, each bound party covenants and agrees that those claims, grievances or disputes described below ("claims") shall be resolved using the procedures set forth below in lieu of filing suit in any court.

B. Claims:

Unless specifically exempted below, all claims, grievances or disputes arising out of or relating to the interpretation, application or enforcement of the governing documents or the Association's use restrictions, or the rights, obligations and duties of any bound party under the governing documents or relating to the design or construction of improvements on the properties shall be subject to the procedures set forth below.

Notwithstanding the above, unless all parties thereto otherwise agree, the following shall not be claims and shall not be subject to the procedures set forth below:

(1) Any suit by the Association against any bound party to enforce the provisions for assessments;

(2) Any suit by the Association to obtain a temporary restraining order (or equivalent emergency equitable relief) and such other ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions for review or plans and control of construction;

(3) Any suit by an Owner to challenge the actions of the Declarant, the Association, any covenants committee, or other committee with respect to approval, disapproval, application or enforcement of the provisions by the Association and the provisions restricting use of property;

(4) Any suit between Owners, which does not include Declarant or the Association as a party, if such suit asserts a claim which would constitute a cause of action independent of the Covenants and Restrictions;

(5) Any suit in which any indispensable party is not a bound party; and

(6) Any suit which otherwise would be barred by any applicable statute of limitations.

With the consent of all parties thereto, any of the above may be submitted to the alternative dispute resolution procedures set forth below.

C. <u>Mandatory Procedures:</u>

(1) Notice. Any bound party having a claim ("claimant") against any other bound party ("respondent") (collectively, the "parties") shall notify each respondent in writing ("the notice"), stating plainly and concisely:

a. The nature of the claim, including the persons involved and respondent's role in the claim;

b. The legal basis of the claim (i.e., the specific authority out of which the claim arises);

c. The claimant's proposed remedy; and

d. That claimant will meet with respondent to discuss in good faith ways to resolve the claim.

(2) Negotiation and Mediation.

a. The parties shall make every reasonable effort to meet in person and confer for the purpose of resolving the claim by good faith negotiation. If requested in writing by any party, accompanied by a copy of the notice, the Board may appoint a designee to assist the parties in resolving the dispute by negotiation.

b. If the parties do not resolve the claim within 30 days of the date of the notice or within such other period as may be agreed upon by the parties ("termination of negotiations"), claimant shall have 30 additional days to submit the claim to mediation either to the Association if it has adopted a mediation procedure, or to an independent agency providing dispute resolution services in the Freestone County, Texas area.

c. If claimant does not submit the claim to mediation within 30 days after termination of negotiations, or does not appear for the mediation, claimant shall be deemed to have waived the claim, and respondent shall be released and discharged from any and all liability to claimant on account of such claim, provided, nothing herein shall release or discharge respondent from any liability to any person other than the claimant.

d. Any settlement of the claim through mediation shall be documented in writing by the mediator. If the parties do not settle the claim within 30 days after submission of the matter to the mediation process, or within such time as determined by the mediator, the mediator shall issue a notice of termination of the mediation proceedings ('termination of mediation"). The termination of mediation notice shall set forth that the parties are at an impasse and the date the mediation was terminated.

e. Within 5 days of the termination of mediation, the claimant shall make a final written settlement demand ("settlement demand") to the respondent and the respondent shall make a final written settlement offer ("settlement offer") to the claimant. If the claimant fails to make a settlement demand, claimant's original notice shall constitute the settlement demand. If the respondent fails to make a settlement offer, respondent shall be deemed to have made a "zero" or "take nothing" settlement offer.

(3) Final and Binding Arbitration.

a. If the parties do not agree in writing to a settlement of the claim within 15 days of the termination of mediation, the claimant shall have 15 additional days to submit the claim to arbitration in accordance with the rules of Arbitration established by the American Arbitration Association or such rules as may be required by the agency providing the arbitrator. If not timely submitted to arbitration or if the claimant fails to appear for the arbitration proceeding, the claim shall be deemed abandoned, and respondent shall be released and discharged from any and all liability to claimant arising out of such claim; provided, nothing herein shall release or discharge respondent from any liability to persons other than claimant.

b. This subsection (c) is an agreement to arbitrate and is specifically enforceable under the applicable arbitration laws of the State of Texas. The arbitration award ("award") shall be final and binding, and judgment may be entered upon it in any court of competent jurisdiction to the fullest extent permitted under the laws of the State of Texas.

D. Allocation of Costs of Resolving Claims;

(1) Subject to subsection (2) below, each party shall bear its own costs, including any attorney's fees incurred, and each party shall share equally all charges rendered by the mediator(s) and all filing fees and costs of conducting the arbitration proceeding ("post mediation costs").

(2) Any award which is equal to or more favorable to claimant than claimant's settlement demand shall add claimant's post mediation costs to the award, such costs to be borne equally by all respondents. Any award which is equal to or less favorable to claimant than any respondent's settlement offer shall award to such respondent its post mediation costs.

E. Enforcement of Resolution. After resolution of any claim, if any party fails to abide by the terms of any agreement or award, then any other party may file suit or initiate administrative proceedings to enforce such agreement or award without the need to comply again with the procedures set forth above. In such event, the party taking action to enforce the agreement or award shall be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties pro rata) all costs incurred in enforcing such agreement or award, including, without limitation, attorney's fees and court costs.

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DATED and EXECUTED by the undersigned Declarant this 16 day of December, 2008.

DECLARANT:

TYUS DEVELOPMENT, LP
P.O. Box 711
Fairfield, Texas 75840

By: HAYNIE TYUS LAND DEVELOPMENT, LLC, General Partner

By: ______________________
Donna J. Tyus
President and Managing Member

THE STATE OF TEXAS §
§
COUNTY OF FEESTONE §

This instrument was acknowledged before me on the 16 day of December, 2008, by Donna J. Tyus, President and Managing Member of HAYNIE TYUS LAND DEVELOPMENT, LLC, a Texas Limited Liability Company, as General Partner of TYUS DEVELOPMENT, LP, a Texas Limited Partnership, on behalf of said Limited Partnership.

MICHELLE FOWLER
Notary Public, State of Texas
My Commission Expires
July 31, 2010

NOTARY PUBLIC, STATE OF TEXAS

Approved by the City of Fairfield, City Council on December 16, 2008.

CITY OF FAIRFIELD TEXAS CORPORATE SEAL

Jana L. Taylor
City Secretary

Exhibit "A"

BYLAWS OF
Villa Cresta del Pino

ARTICLE 1
COUNCIL OF OWNERS

1.01 Administration. The Villa Cresta del Pino, a Townhome Project, located in Fairfield, Freestone County, Texas, shall be administered by a council of owners which shall be a Texas non-profit corporation organized under the name of "Villa Cresta del Pino Community Association," or such other name as Declarant may designate (hereinafter called the "Association"). The Association shall be responsible for the management, maintenance, operation, and administration of the Townhome Project, the Common Elements, and easements appurtenant thereto in accordance with the Declaration of Covenants, Conditions, and Restrictions for Villa Cresta del Pino, these Bylaws, the Articles of Incorporation of the Association, the duly adopted Rules and Regulations of the Association, and the laws of the State of Texas (collectively the "Townhome Documents"). Owners in the Townhome Project and all persons using or entering upon or acquiring any interest in any Townhome Sites therein shall be subject to the provisions and terms set forth in the Townhome Documents.

1.02 Independent Management. The Association, acting through its board may provide for independent management of the Townhome Project, hire and terminate managing agents and other employees, agents, and independent contractors.

1.03 Membership voting. Membership in the Association and voting by members of the Association shall be in accordance with the following provisions:

(a) Each Townhome Site Owner (hereinafter sometimes referred to as an "Owner") shall be a member of the Association and no other person or entity shall be entitled to membership. No Owner shall be required to pay any consideration whatsoever solely for his membership in the Association.

(b) The share of an Owner in the funds and assets of the Association cannot be assigned, pledged, or transferred in any manner except as an appurtenance to his or her Townhome Site.

(c) Each owner shall be entitled to a vote, the value of which shall equal the number of Townhome Site(s) owned by such Owner.

(d) No Owner, other than Declarant, shall be entitled to vote at any meeting of the Association until he has presented to the Association evidence of ownership of a Townhome Site in the Townhome Project. The vote of each Owner may only be cast by such Owner or by a proxy given by such Owner to his duly authorized representative. If title to a Townhome Site shall be in the name of two or more persons as Owners, anyone of such Owners may vote as Owner of the Townhome Site at any meeting of the Association and such vote shall be binding on such other Owners who are not present at such meeting unless written notice to the contrary from any Owner has been received by the Association prior to such meeting, in which case the unanimous action of all such Owners (in person or by proxy) shall be required to cast their vote as Owners. If two or more of such Owners are present at any meeting of the Association, then unanimous action shall also be required to cast their vote as Owners.

(e) There shall be an annual meeting of the members of the Association, and other meetings may be provided for in the Bylaws of the Association. Notice of time, place, and subject matter of all meetings, as provided in the Bylaws of the Association, shall be given to each Owner by mailing the same to such Owner or to the individual representative designated by such Owner at the address given by such Owner to the Association. If any Owner shall fail to give an address to the Association for the mailing of notices, all notices shall be sent to the address of the Townhome Site of such Owner, and such Owner shall be deemed to have been given notice of any such meeting when properly addressed and postage paid envelopes have been deposited in the mail irrespective of actual receipt of the same.

(f) Except as otherwise provided by the Act or these Bylaws, the presence in person or by proxy of Owners qualified to vote and representing more than fifty percent (50%) of the percentage interests shall constitute a quorum for holding any meeting of the members of the Association. If a quorum shall not be present or represented at any meeting of Owners, Owners present in person or represented by proxy shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented by proxy any business may be transacted which might have been transacted at the original meeting.

(g) At any meeting of the members of the Association, votes may be cast in person or by proxy. Proxies must be filed with the Secretary of the Association at or before the appointed time of each meeting of the members of the Association.

(h) When a quorum is present at any meeting of the members of the Association, the vote of a majority (fifty-one percent (51 %)) or more of the percentage interests of those Owners qualified to vote and present in person or represented by proxy at such meeting) shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question. Owners present in person or by proxy at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Owners to leave less than a quorum.

(i) At all meetings of Owners cumulative voting shall not be permitted.

1.04 <u>Books of Account</u>. The Association shall keep or cause to be kept detailed financial records that comply with generally accepted accounting principals and that are sufficiently detailed to enable the Association to account for:

(a) all expenditures and receipts of the administration of the Townhome Project, and

(b) the maintenance and repair expenses of the Common Elements and any other expenses incurred by or on behalf of the Association and Owners.

Such books shall be open for inspection by Owners and their mortgagees during reasonable working hours on weekdays and shall be audited annually by qualified auditors. The cost of such audit shall be a Common Expense.

1.05 Association Expenses and Receipts. All costs incurred by the Association, including, but not limited to, any costs incurred in satisfaction of any liability arising from, caused by, or in connection with the Association's administration, operation, maintenance, or use of the Townhome Project, shall be Association expenses, and all sums received by the Association, including, but not limited to all sums received as proceeds of, or pursuant to, any policy of insurance carried by the Association, shall be Association receipts.

1.06 Qualification of Board Members. Each member of the Board of Directors of the Association must be a member of the Association (or the spouse of such member or designated representative of such member, if such member is a corporation, partnership, or other legal entity) with the exception of the first Board of Directors (and any replacement directors selected by Declarant prior to the first meeting of the Association) designated in the Articles of Incorporation of the Association. The method for electing the Board of Directors is described in the Bylaws of the Association.

1.07 First Meeting of Members. The first meeting of the members of the Association shall be held no later than the thirty-first (31) day after ownership of more than seventy-five percent (75%) in number of the Townhome Sites in the Townhome Project becomes vested in persons or entities other than Declarant, and shall be called by the Board of Directors. Until the first meeting of the members, the affairs of the Association shall be managed by the first Board of Directors named in the Articles of Incorporation of the Association, or their replacements.

ARTICLE 2
TAXES, WATER USE ASSESSMENTS AND ASSESSMENTS

2.01 Association Taxes. The Association shall be assessed as the person or entity in possession of any tangible personal property of the Townhome Project owned or possessed in common by the Owners, together with the common elements, and real and personal property taxes based thereon shall be treated as Common Expenses.

2.02 Owner(s)' Taxes. Each Owner shall be assessed as the person or entity in possession of the owner(s)'s Townhome Site, and all real property and personal property taxes thereon shall be paid by the Townhome Site Owner.

2.03 Water Use Assessment. Each Townhome shall be individually metered so all City, County and/or Water District charges for water, sewage, garbage disposal, etc. (the "Water Bill") for the Townhome shall be billed to the individual owner. Accounts for charges for water, sewage, garbage disposal, etc. that relate to common areas shall be maintained in the name of the Declarant or the Association and shall be included in the quarterly assessments.

2.04 Annual and Special Assessments.

(a) The Board of Directors shall establish an annual budget in advance for each fiscal year and such budget shall project all Common Expenses or the forthcoming year which may be required for the proper administration, operation, management, and maintenance of the Townhome Project and of the Association, including reasonable allowances for working capital, contingencies, and reserves for maintenance, repairs, and replacements, and reserves for shared maintenance expenses created by any contract or agreement of record. The annual assessment levied against Owners for such year shall be established by the adoption of such annual budget by the Board of Directors. Copies of such budget shall be delivered to each Owner, although the delivery of a copy of the budget to each Owner shall not affect the liability of any Owner for any existing or future assessment. Should the Board of Directors at any time determine in the sale discretion of such Board of Directors, that the assessments levied are or may prove to be insufficient to pay the costs of operation and management of the Townhome Project in any fiscal year for any reason, including non-payment of assessments by an Owner, then such Board of Directors shall have the authority at any time and from time to time to levy such additional assessment or assessments as it shall deem necessary for that purpose. If in any taxable year, the income of the Association from assessments exceeds the sum of (i) total expenses of the Association for which payment has been made or liability incurred within such taxable year, and (ii) reasonable reserves as may have been created by the Board of Directors, such excess may be utilized in accordance with the vote of Owners at a meeting called for such purpose, which vote shall be to return such excess to Owners or to apply such excess to the following year's assessments.

(b) Special Assessments, in addition to those described in paragraph 2.04(a) above, may be made by the Board of Directors at any time and from time to time (i) to meet other needs or (ii) to construct or establish facilities deemed of benefit to the Association and Owners by the Board of Directors, such special assessments may include, but not be limited to, assessments for the costs described in Paragraph 1.05 hereof, and for capital improvements. However, any such special assessment under this Paragraph 2.04(b) shall not be levied without the prior approval of at least sixty-six (66%) of the percentage interests of all Owners.

2.05 Allocation of Assessments. All assessments levied against Owners to cover Common Expenses Liability shall be apportioned among and paid by Owners in accordance with the percentage of Townhome Sites owned in the Townhome Project, except for assessments made against a single Owner, such as for repairs made by the Association at the expense of such Owner or as a fine against such Owner as provided in the Declaration and/or these Bylaws, which shall be paid in full by such Owner. Assessments are on an annual basis but shall be due and payable in quarterly installments, in advance, on the first day of January, April, July, and October, or at such other times as the Board of Directors shall determine, commencing with delivery of a deed to a Townhome Site. An Owner shall be in default if such assessment, or any part thereof, is not paid to the Association in full on or before the due date for such payment; and upon written notice after such default the Board of Directors may accelerate and declare immediately due and payable the entire annual assessment of such Owner. Assessments in default shall bear interest at the highest lawful rate commencing on the fifth day after such assessment becomes delinquent, together with costs and reasonable attorney's fees chargeable to the Owner in default, until paid in full. Each Owner (whether one or more persons) shall be, and remain, personally (and in the case of an Townhome Site with more than one Owner, jointly and severally) liable for the payment of all assessments which may be levied against such Owner by the Association in accordance with these Bylaws; and any unpaid assessments with accrued interest thereon owed with respect to an Townhome Site may, at the option of the Association, be collected out of the sales proceeds of such Townhome Site.

2.06 No Exemptions. No Owner may exempt himself from liability for his contribution toward the Common Expenses Liability waiver of the use or enjoyment of any of the Common Elements or by the abandonment of his Townhome Site.

2.07 Collection of Assessments. The Association may enforce collection of delinquent assessments for all Common Expense Liabilities by suit at law for a money judgment, and the expenses incurred in collecting such unpaid assessments including interest, costs, and attorneys' fees shall be chargeable to the Owner in default. Further, all such unpaid assessments shall constitute a lien on encumbrances, except (i) tax and special assessments liens in favor of the state or any political subdivision thereof and (ii) amounts unpaid under mortgage or deed of trust instruments duly recorded prior to the date such assessments became delinquent. To evidence such lien, the Board of Directors may, but shall not be required to, prepare a written notice signed by an officer of the Association, setting forth the amount of the unpaid assessments, the name of the Owner in default, and a description of the Townhome Site of such Owner; and such notice may be filed of record with the County Clerk, Freestone County, Texas (the lien shall attach from the due date of such unpaid assessment, however, not the date of the filing of the notice). A lien for Assessments may be enforced by the Association by judicial foreclosure in a suit to recover a money judgment for the delinquent assessments, and/or through a non-judicial sale by exercising the power of sale granted to the Association by the Owner' as recited in paragraph 15 of the Declaration and in accordance with Section 51.002 of the Texas Property Code, and shall also secure the interest, costs, and attorneys' fees incurred in such action. The Association shall have the power to bid in the Townhome Site at foreclosure and to acquire, hold, lease, mortgage, convey, or otherwise deal with the same as an owner. Suit to recover a money judgment for such unpaid assessments may be maintained without foreclosing or waiving the lien securing the same. The Association may also discontinue the furnishing of any utilities or other services to an Owner in default of his obligations to the Association or other Owners as set forth herein upon seven (7) days written notice to such Owner of its intent to do so. An Owner in default of his obligations to the Association or other Owners as set forth herein shall not be entitled to vote at any meeting of the Association so long as such default continues.

2.08 Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Board of Directors to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of an Owner's obligation to pay his allocable share of the Common Expense

Liability as herein provided whenever the same shall be determined and, in the absence of any annual budget or adjusted budget, each Owner shall continue to pay his assessments at the rate established for the previous fiscal year until notice of the new payment which is due after such new annual or adjusted budget shall have been adopted.

2.09 Statement of Assessments. The Association shall promptly provide any Owner, contract purchaser, or mortgagee so requesting the same in writing with a written statement of all unpaid assessments due from such Owner. The Board of Directors may impose a reasonable charge for the preparation of such statement to cover the cost of preparation and delivery thereof.

2.10 Litigation Expenses. The Board of Directors may utilize the funds of the Association, whether collected by regular or special assessments, to pay the costs and expenses, including attorneys' fees, incurred or arising in connection with any litigation by or against the Association, including, but not limited to, suits to collect delinquent assessments from an Owner and bidding at a foreclosure sale of a Townhome Site.

2.11 Declarant's Townhome Site. During the period prior to the first meeting of the members of the Association as described in Paragraph 1.07 hereof, Declarant shall be responsible for payment of the monthly installments of the assessments with respect to those Townhome Sites owned by Declarant; provided that in no event shall Declarant be responsible for payment of any portion of such assessments (or any special assessments) for reserves for future maintenance or repairs until after such first meeting of the members of the Association.

ARTICLE 3
OWNER ACTION

Without limiting the other legal rights of any Owner, legal action may be brought by the Association in its sole discretion on behalf of two (2) or more Owners, as their respective interests may appear, with respect to any cause of action relating to the Common Elements of more than one (1) Townhome Site.

ARTICLE 4
INSURANCE

4.01 Master Policy. The Association shall carry a master policy of fire and extended coverage, vandalism and malicious mischief, and liability insurance, and, if required by law, worker's compensation insurance (hereinafter referred to as the "Master Policy"), with respect to the Townhome Project and the Association's administration thereof which shall be in accordance with the following provision:

(a) The Master Policy shall be purchased by the Association for the benefit of the Association, Owners, and their mortgagees as their interests may appear (subject to the provisions of these Bylaws and the Declaration), and provision shall be made for the issuance of appropriate mortgagee endorsements to the mortgagees of Owners. The liability insurance portion of the Master Policy shall have minimum limits of One Million Dollars ($1,000,000.00) for bodily injury or property damage.

(b) The Association may, in its sale discretion, elect to carry insurance to cover such other perils, such as flood and high water, as from time to time shall be customarily covered with respect to buildings and improvements similar in construction, location and use.

(c) The Association and Owners shall use their best efforts to see that all property and liability insurance carried by an Owner or the Association shall contain appropriate provisions whereby the insurer waives its right of subrogation as to any claims against Declarant, Owners, or the Association and the respective servants, agents, and guests of Declarant, Owners, or the Association as the case may be. The Master Policy shall contain cross-liability or severability of interest endorsements or appropriate provisions to cover liability of Owners, individually or as a group.

(d) All directors, officers, and employees, and all former directors, officers, and employees shall be insured by the Association against expenses actually and necessarily incurred by him and any amount paid in satisfaction of judgments in connection with any action, suit, or proceeding, whether civil or criminal in nature, in which he or she is made a party by reason of being or having been such a director, officer, or employee (whether or not a director; officer, or employee at the time such costs or expenses are incurred by or imposed upon him or her) except in relation to matters as to which they shall be adjudged in such action, suit, or proceeding to be liable for breach of fiduciary duty, or for negligence or misconduct in the performance of duty. The aggregate limit of such insurance shall be at least $1,000,000.00 or such lesser amount as may be obtainable on commercially practicable terms.

(e) The Association shall also maintain adequate fidelity coverage to protect against dishonest acts on the part of directors, officers, trustees, employees, volunteers, and managers, if any, of the Association who handle or are responsible for handling funds belonging to or administered by the Association. Such fidelity bonds shall name the Association as obligee, shall be written in an amount at least equal to one hundred fifty percent (150%) of the estimated annual operating expenses and reserves of the Association for the current year, and shall contain waivers of any defense based upon the exclusion of any persons who serve without compensation.

(f) All premiums upon insurance purchased by the Association pursuant to these Bylaws shall be included in the Association's budget in accordance with Paragraph 2.04(a) hereof; provided that the Association may exclude from the budget, or may allow a credit against assessments for, any or all portions of such premiums which are collected into escrow accounts by mortgagees of Owners, and in such event the Association is hereby specifically authorized to collect such amounts from the mortgagees to remit same to the insurance company. Any increase in such premiums in such premiums occasioned by the use, misuse, occupancy, or abandonment of a Townhome Site or the Common Elements by an Owner shall be assessed against such Owner.

(g) Proceeds of all insurance policies owned by the Association shall be received by the Association, and not to any Townhome Site Owner or lien holder, and held in separate account and applied by the Association to repair the damage or restore the funds occasioned by the loss.

(h) Each Owner, by ownership of a Townhome Site in the Townhome Project, shall be deemed to have appointed the Association as his true and lawful attorney-in-fact to act in connection with all matters concerning the maintenance of the Master Policy. Without limiting the generality of the foregoing, the Association as such attorney shall have full power and authority to purchase and maintain such insurance, to collect and remit the premiums therefore, to collect proceeds and to distribute the same to the Association, Owners, and their respective mortgagees (subject to the provisions' of these Bylaws and the Declaration) as their interests may appear, to execute all documents and to do all things on behalf of such Owners and the Townhome Project as shall be necessary or convenient to the accomplishment of the foregoing; and any insurer may deal exclusively with the Association in regard to such matters. The Association shall not be responsible for procurement or maintenance of any insurance covering the contents of any Townhome Site nor the liability of any Owner for occurrences therein not caused by or connected with the Association's operation, maintenance, or use of the Townhome Project.

(i) Neither the Board of Directors, nor any officer of the Association, nor Declarant shall be liable for failure to obtain any coverage required by this Article or for any loss or damages resulting from such failure, if such failure is due to the unavailability of such coverage from reputable insurance companies, or if such coverage are so available only at demonstrably unreasonable cost.

4.02 Individual Policy by the Owner(s). Each Owner may carry a policy of fire and extended coverage, vandalism and malicious mischief, and liability insurance for the following:

(a) Owners may obtain, at their own expense, comprehensive personal liability insurance covering liability for damage to person or property of others located within such Owner's Townhome Site, or in another Townhome Site in the Townhome Project or upon the Common Elements, resulting from the negligence of the insured Owner in such amounts as shall from time to time be determined by the Board of Directors, but in no case less than One Hundred Thousand Dollars ($100,000.00) for bodily injury or property damage.

(b) Each Townhome Site Owner may obtain, at their own expense, insurance upon their Townhome Site and its contents (including, but not limited to, the structure, all fixtures, installations such as floor coverings, wall covering, interior walls or partitions and doors, "built-in" appliances, bathroom and kitchen fixtures, and heating and air conditioning equipment) and personal property (including, but not limited to, any furniture, furnishings, "free-standing" appliances, or other personal property owned, 'supplied, or installed by the Owner, individually, or any improvements to the Townhome Site made by the Owner).

ARTICLE 5
RECONSTRUCTION OR REPAIR OF CASUALTY

5.01 Vote of Members. If not more than two-thirds (2/3) of the Townhome Project (as determined by a majority vote or written consent of all owners in the exercise of their sole discretion) shall be damaged by fire or any other disaster, then the Townhome Project shall be rebuilt or repaired. If such damage shall effect more than two-thirds (2/3) of the Townhome Project as determined by such Owners in the exercise of such discretion, the reconstruction shall not be compulsory without the unanimous consent of all Owners.

5.02 Plan for Reconstruction. Any reconstruction or repair of the Townhome Project or any Townhome Site located therein shall be substantially in accordance with the Declaration and the original plans and specifications for the Townhome Project, unless by a majority vote of the. Owners shall decide otherwise.

5.03 Repair and Reconstruction. In the event of damages by fire or other disaster where repair or reconstruction are compulsory, the Association shall arrange for and supervise the prompt repair and reconstruction of the damaged Townhome Sites in accordance with the original plans and specifications of the Townhome Project. The Association shall have no duty or liability for the repair and reconstruction of the interior improvements made to a Townhome Site by an Owner, including, but not limited to all fixtures, installations or additions thereto such as floor coverings, wall coverings, interior walls or partitions and doors, "built-in" appliances, bathroom and kitchen fixtures, and heating and air conditioning equipment, and furniture, furnishings, "free-standing" appliances, or other personal property owned, supplied, or installed by Owners, individually, or any improvements to the Townhome Sites made by Owners. Each Owner shall have the right to supervise the redecorating of his own Townhome Site, provided that such Owner shall not delay the repair or reconstruction and shall be responsible for any increase in costs caused by such Owner. Each Owner shall also be responsible. for the costs not otherwise covered by insurance carried by the Association of any reconstruction, repair, or replacement of any portion of the Townhome Project necessitated by his negligence or misuse, or •the negligence or misuse by his tenants, family, guests, agents, servants, employees, or contractors. In the event damage to all or any part of the interior of an Townhome Site is not covered by insurance held by the Association for the benefit of such Owner, then such Owner shall begin reconstruction or repair of his Townhome Site within sixty (60) days after the date of such damage, subject to the right of the Association to supervise, approve. or disapprove such reconstruction or repair during the course thereof.

5.04 Costs of Repair. As soon as possible after the occurrence of a casualty which causes damage to any part of the Townhome Project (a "Casualty") the Association and the Townhome Site Owners shall take the following action:

(a) The Association shall obtain reliable and detailed cost estimates of restoring that portion of the Townhome Project damaged by the Casualty which the Association must repair as provided in paragraph 5.03. All insurance proceeds available to the Association with respect to the Casualty shall first be applied to the payment of such Costs and the balance thereof, if any, shall thereafter be an Association receipt. However, if such insurance proceeds are not sufficient to cover such estimated costs, then an assessment shall be made against Owners by the Association on the basis of their percentage interests in the Townhome Project for the payment of the estimated costs not otherwise paid for by insurance held by the Association.

(b) Each Owner of a damaged Townhome Site shall bear the cost and be responsible for the prompt repair and reconstruction of the Owner's Townhome Site together with all improvements as provided in paragraph 5.03 above.

5.05 Eminent Domain. Upon any taking of any Townhome Site in the Townhome Project by eminent domain, the Owner of such Townhome Site shall be entitled to receive the award for such taking; and after acceptance thereof he and his mortgagee shall be divested of all interest in the Townhome Project if such Owner shall vacate his Townhome Site by virtue of such taking. If any repair or rebuilding of the remaining portions of the Townhome Project is required as a result of such taking, the remaining Owners shall determine by majority vote or written consent whether to rebuild or repair the Townhome project or to take such other action as such remaining Owners deem appropriate. If no repair or rebuilding shall be required, or shall be undertaken, then the remaining portion of the Townhome Project shall be resurveyed and the Declaration shall be amended to reflect such taking and to proportionately readjust the number of Townhome Sites in the Project Tract.

ARTICLE 6
ADDITIONS, MAINTENANCE, REPAIR AND REPLACEMENT

6.01 By the Association. The Association shall be responsible for the maintenance, repair, and replacement (unless necessitated by the negligence, misuse, or neglect of an Owner) of all of the Common Elements, together with the roof, exterior walls and foundation of each Townhome Site, the cost which shall be a Common Expense Liability. The Association shall jointly administer the facilities which are the subject of the Grant of Easement to Owners and the Grant of Easement to the Association, in accordance with the Declaration, and all expenses incident thereto shall be a Common Expense and included in the Association's budget in accordance with Paragraph 2.04(a) hereof.

6.02 By Owners.

(a) Each Owner shall keep his Townhome Site in good condition and repair, including but not limited to the heating and air conditioning equipment servicing the Townhome Site and all other equipment, appliances, and appurtenances in good order, condition, and repair and in a clean and sanitary condition, and shall do all redecorating and interior painting which may at any time be necessary to maintain the good appearance and condition of his or her Townhome Site. In addition, each Owner shall be responsible for all damage 10 any other Townhome Site or to the Common Elements resulting from his or her negligence or misuse of his Townhome Site or the Common Elements or failure to make any of the repairs required hereunder or failure to take reasonable precautions to prevent damage to other Townhome Site or the Common Elements. Each Owner shall perform his responsibility in such manner as shall not unreasonably disturb or interfere with the other Owners. Each Owner shall promptly report to the Association any defect or need for repairs for which the Association is responsible.

(b) Each Owner shall be responsible for the normal maintenance of his or her Townhome Site. Such maintenance shall include, but are not limited to, all heating and air conditioning equipment, garage doors, and interior and exterior lights servicing the Townhome Site which shall be the sole responsibility of the Townhome Site Owner.

6.03 Manner of Repair and Replacement. All repairs and replacements shall be substantially similar to the original construction and installation and shall be of first-class quality.

6.04 Additions, Alterations or Improvements by Board of Directors. Except during the period of Declarant Control, whenever in the judgment of the Board of Directors the Common Elements shall require additions, alterations or improvements costing in excess of Ten Thousand Dollars ($10,000.00) during any period of twelve (12) consecutive months (or in excess of Ten Thousand Dollars ($10,000.00) more than reserves accumulated thereof), such additions, alterations, or improvements shall be made only with the prior approval of at least sixty-six percent (66%) of the percentage interests of all Owners, whereupon the Board of Directors shall proceed with such additions, alterations, or improvements and shall assess all Owners for the cost thereof as a Common Expense Liability. Any additions, alterations, or improvements costing Ten Thousand Dollars ($10,000.00) or less during any period of twelve (12) consecutive months (or not in excess of Ten Thousand Dollars ($10,000.00) more than reserves accumulated thereof) may be made by the Board of Directors without prior approval of the Owners and the cost thereof shall constitute a Common Expense Liability, which may be assessed, if necessary, as provided in Paragraph 2.04(a) hereof. The Ten Thousand Dollar ($10,000.00) limitation shall be increased annually by the percentage equal to one-half the percentage increase in the annual budget of the Townhome Project.

ARTICLE 7
USE AND STRUCTURAL MODIFICATIONS

7.01 Residential Purpose. No Townhome Site in the Townhome Project shall be used for other than residential purposes, and the Common Elements shall be used only for purposes consistent with the use of residences. Notwithstanding the foregoing, Declarant or its designated representatives shall have the right to retain one or more Townhome Sites for use as sales models, sales offices, or any other business use related to the Townhome Project, may engage employees, agents, or independent contractors to effectuate sales or such other business uses, and may allow such employees, agents, or independent contractors to reside in, and/or conduct business from, Townhome Sites owned by Declarant.

7.02 Modifications. No Owner shall make structural alterations or modifications to his Townhome Site or to any of the Common Elements, including the erection of antennas, aerials, awnings, the placement of any reflective or other material in the windows of the Townhome Site (other than interior draperies) or other exterior attachments without the written approval of the Board of Directors. Any draperies or window covering material to be installed by an Owner in the Townhome Site shall be a white or beige color or of such other color as may be approved by the Board of Directors. The Board of Directors shall not approve any alterations, decorations, or modifications which would jeopardize or impair the soundness, safety, or appearance of the Townhome Project. No Owner may' erect any awnings, screening, or other similar facilities on or outside, or otherwise enclose, any balcony or patio which is appurtenance to a Townhome Site; provided, however, that Owners may, on a temporary basis only, erect such screening or other partitions as may be necessary to prevent breakage of glass doors or windows due to an approaching hurricane or sever windstorm, but such materials must be promptly removed following the passage of such a storm. No Owner shall replace an exterior door to his Townhome Site without the prior approval of the Board of Directors as to the type and color of such door.

7.03 Lease of Townhome Site. No Owner may lease his Townhome Site for a term (including terms on a weekly or daily basis) for less than thirty (30) days, and only for the same purposes set forth in the first sentence of Paragraph 7.01 hereof. All leases shall require the lessee to comply with the Declaration and these Bylaws, and the Rules and Regulations of the Association, and shall provide that failure to comply constitutes a default under the lease. The Board of Directors may provide a suggested standard form lease for use by Owners.

7.04 Improper Activities. No immoral, improper, unlawful, or offensive activity shall be carried on in any Townhome Site or upon the Common Elements, nor shall anything be done which may be or become an annoyance or a nuisance to Owners. No Owner shall do or permit anything to be done or keep or permit to be kept in his Townhome Site or on the Common Elements any things that will increase the rate of insurance on the Townhome Project. No Owner shall store any dangerous explosive or inflammable liquids or other materials either in his Townhome Site or upon the Common Elements.

7.05 Parking Restrictions. No automobiles (whether inoperative or not), water craft, trailers, travel trailers, campers, or vehicles of any kind may be parked in the public street adjacent to the Project Tract or in a Townhome Site's Driveway for a period exceeding four consecutive days.

7.06 Signs. No signs, including "For Sale" signs, or other advertising devices shall be displayed which are visible from the exterior of any Townhome Site or on the Common Elements without written permission from the Board of Directors.

7.07 Pets. No animal shall be kept except household pets. Such pets may not be kept or bred for any commercial purpose and shall have such care and restraint so as not to be obnoxious or offensive on account of noise, odor, or unsanitary conditions. No savage or dangerous animal shall be kept. No more than one household pet may be kept without written permission of the Board of Directors. No pets may be permitted to run loose upon the Common Elements, and any Owner who causes any animal to be brought or kept upon the premises of the Townhome Project shall indemnify and hold harmless the Association for any loss, damage, or liability which the Association may sustain as a result of the presence of such animal on the premises, whether or not the Association has given its permission therefor.

7.08 Use of Common Elements. The Common Elements (other than the utility areas which will be regulated as to use by the Association) shall not be used for storage of supplies, personal property, or trash or refuse of any kind except common trash receptacles placed at the' discretion of the Board of Directors; nor shall the Common Elements be used in any way for drying, shaking, or airing of clothing or other fabrics. Stairs, entrances, sidewalks, yards, driveways, and parking areas shall not be obstructed in any way nor shall unauthorized persons or pets play therein or thereon or use them for other than their intended purposed. In general, no activities shall be carried on, nor condition maintained by any Owner either in his or her Townhome Site or upon the Common Elements which despoils the appearance of the Townhome Project.

7.09 Regulations. Regulations concerning the use of the Townhome Project (which may include the number of occupants per Townhome Site) shall be promulgated by the first Board of Directors and such regulations shall be binding on all members of the Association unless duly amended by the Board of Directors, in which case such amended regulations shall be binding on all members of the Association.

7.10 Access of Agents. The Association or its agents shall have access to each Townhome Site from time to time during reasonable working hours, upon notice to such Townhome Site Owner, as may be necessary for the maintenance, repair, or replacement of any of the Common Elements. The Association or its agent shall also have access to each Townhome Site at all times without notice as may be necessary to make emergency repairs to prevent damage to the Common Elements or to another Townhome Site. If requested, each Owner shall furnish to the Board of Directors a duplicate key to the entrance door to his Townhome Site and shall furnish a new duplicate key upon any change of locks thereto.

7.11 Limitations During Sales Period. None of the restrictions contained in this Article 7 shall apply to the commercial activities, information/sales office, or signs or billboards, if any, of Declarant during the sales and lease period of the Townhome Project or of the Association in furtherance of its power and purposes set forth herein and in its Articles of Incorporation and Bylaws as the same may be amended from time to time. Further, the Board of Directors of the Association may waive such restrictions as to Declarant for periods beyond such sales and lease period.

ARTICLE 8
MORTGAGES

8.01 Notification of Association. Any Owner or any tenant of an Owner who mortgages his Townhome Site or his interest therein shall notify the Association of the name and address of the mortgagee and the Association shall maintain such information in a book entitled "Mortgages of Townhome Sites."

8.02 Notification of Mortgagees. The Association shall notify each mortgagee appearing in the Book described in Paragraph 8.01 herein of the name of each company insuring the Townhome Project under the Master Policy and the amounts of the coverage thereunder. The Association, upon written request of a mortgagee of any Townhome Site or interest therein, shall notify such mortgagee in writing of any default by the Owner of such Townhome Site in the payment of assessments or otherwise.

8.03 Mortgagee's Responsibility for Assessments. Any first lien purchase money mortgagee that obtains title to a Townhome Site as a result of a foreclosure of its lien shall extinguish the Association's lien on the Townhome Site for assessments which accrued prior to such foreclosure. All assessments accruing on a Townhome Site after the date of the foreclosure sale shall be assessed and paid by the foreclosing Mortgagee as the Owner of the Townhome Site, and such Mortgagee shall abide by and conform to the Declaration and these By-laws.

ARTICLE 9
COMPLIANCE

9.01 Acceptance of Governing Rules. The Association, all present or future Owners, tenants, future tenants, or any other persons using the facilities of the Townhome Project are subject to and shall comply with the Declaration, the Bylaws, and the Articles of Incorporation, Bylaws, Rules and Regulations of the Association; and the acquisition, occupancy, or rental of a Townhome Site, and hereby signify that the Declaration, Bylaws, or Articles of Incorporation, Bylaws, Rules and Regulations of the Association are accepted and ratified. In the event the Bylaws of the Association shall be inconsistent with the Declaration and these Bylaws, then the Declaration and these Bylaws shall be controlling.

9.02 Amendment of Bylaws. These Bylaws may be amended by the members of the Association from time to time by a vote of at least two-thirds (2/3) of the percentage interests of all Owners unless otherwise provided herein; provided, however, that no such amendment shall affect the rights or privileges of Declarant hereunder unless such amendment be duly approved in writing by Declarant. The procedure for proposing amendments hereto shall be the same as provided for proposing amendments to the Bylaws of the Association. Upon the approval of any such amendment, an instrument in recordable form setting forth such amendment and containing a certificate by the President and the Secretary of the Association, certifying as to the accuracy of the contents of such amendment and as to its due adoption in accordance herewith shall be prepared and filed of record in Nueces County, Texas, and such instrument shall be effective to amend these Bylaws without the signatures of any other parties.

ARTICLE 10
DEFAULT

10.01 Definition. Failure to comply with any of the terms of the Declaration, these Bylaws, the Articles of Incorporation or Bylaws or duly adopted Rules and Regulations of the Association shall constitute an event of default and shall be grounds for relief, which may include without intending to limit the same, an action to recover damages and/or injunctive relief and/or the imposition of a fine or other sanction by the Association.

10.02 Costs. In any proceeding arising because of an alleged default by any Owner, the Association, if successful, shall be entitled to recover the costs of the proceeding and reasonable attorneys' fees.

10.03 Procedures. The Board of Directors shall not impose a fine, suspend voting, or infringe upon any other rights of an Owner for violations of Rules and Regulations of the Association unless and until the following procedure is followed:

(a) Written demand to cease and desist from an alleged violation shall be served upon the alleged' violator specifying: (i) the alleged violation; (ii) the action required to abate the violation; and (iii) a time period, not less than ten (10) days, during which the violation may be abated without further sanction, if such violation is a continuing one, or a statement that any further violation of the same rule may result in the imposition of sanction after notice and hearing if the violation is not continuing.

(b) Within twelve (12) months after such demand, if the violation continues past the period allowed in the demand for abatement without penalty, or if the same Rule is subsequently violated, the Board of Directors shall serve the violator with written notice of a hearing to be held by the Board of Directors in session. The notice shall contain: (i) the nature of the alleged violation; (ii) the time and place of the hearing, which time shall be not less than ten (10) days from the giving of the notice; (iii) an Invitation to attend the hearing and produce any statement, evidence, and witnesses on his or her behalf; and (iv) the proposed sanction to be imposed.

(c) The hearing shall be held in executive session pursuant to this notice affording the Owner a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice, and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice together with a statement of the date and manner of delivery is entered by the officer or director who delivered such notice. The notice requirement shall be 'deemed satisfied if a violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

10.04 No Waiver. The failure of the Association or of any Owner to enforce any right, provision, covenant, or condition which may be granted by the Declaration, these Bylaws, the Articles of Incorporation, Bylaws or duly adopted Rules and Regulations of the Association shall not constitute a waiver of the right of the Association or of any such Owner to enforce such right, provision, covenant, or condition in the future.

10.05 Rights Cumulative. All rights, remedies, and privileges granted to the Association or any Owner or Owners pursuant to any terms, provisions, covenants, or conditions of the Declaration, these Bylaws, or the Articles of Incorporation, Bylaws or duly adopted Rules and Regulations of the Association, shall be deemed to be cumulative and the exercise of anyone or more shall not be deemed to constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other additional rights, remedies, or privileges as may be available to such party at law or in equity.

ARTICLE 11
NET EARNINGS OF ASSOCIATION

Except to the extent Owners shall benefit (i) from the administration, operation, management, maintenance, repair, and/or rebuilding of the Townhome Project by the Association or (ii) from the rebating of excess assessments to Owners, no part of the net earnings of the Association shall inure to the benefit of any Owner or any other individual.

ARTICLE 12
SEVERABILITY

In the event that any of the terms, provisions, or covenants of these Bylaws are held to be partially or wholly invalid or unenforceable for any reason whatsoever, such holding shall not affect, alter, modify, or impair in any manner whatsoever any of the other terms, provisions, or covenants hereof or the remaining portions of any terms, provisions, or covenants held to be partially invalid or unenforceable.

ARTICLE 13
HEADINGS

The headings used in these Bylaws have been inserted for administrative convenience only and do not constitute matter to be construed in interpretation.

DECLARANT:

TYUS DEVELOPMENT, LP

By: HAYNIE TYUS LAND DEVELOPMENT, LLC, General Partner

By: ________________
Donna J. Tyus, President and Managing Member

THE STATE OF TEXAS §
§
COUNTY OF FEESTONE §

This instrument was acknowledged before me on the 16 day of December, 2008, by Donna J. Tyus , President and Managing Member of HAYNIE TYUS LAND DEVELOPMENT, LLC, a Texas Limited Liability Company, as General Partner of TYUS DEVELOPMENT, LP, a Texas Limited Partnership, on behalf of said Limited Partnership.

MICHELLE FOWLER
Notary Public, State of Texas
My Commission Expires
July 31, 2010

NOTARY PUBLIC, STATE OF TEXAS

CITY OF FAIRFIELD CORPORATED SEAL TEXAS

Approved by the City of Fairfield, City Council on December 16, 2008.
Jana L. Taylor
City Secretary