

BY-LAWS
OF
SUGAR MILL COMMUNITY ASSOCIATION, INC.

ARTICLE I
NAME AND LOCATION

The name of the corporation is SUGAR MILL COMMUNITY ASSOCIATION, INC., (hereinafter referred to as "the Association"). The principal office of the Association shall be located at 6200 Savoy Drive, Suite 600, Houston, Texas 77036, but meetings of members and directors may be held at such places within the State of Texas, as may be designated by the Board of Directors.

ARTICLE II
DEFINITIONS

Section 1: "Association" shall mean and refer to SUGAR MILL COMMUNITY ASSOCIATION, INC., a Texas non-profit corporation, its successors and assigns.

Section 2: "Owner" shall mean and refer to the resident record owner, whether one or more persons or entities, of a fee simple title to any Lot or portion of a Lot, on which there is or will be built a detached single family dwelling, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation and those having only an interest in the mineral estate.

Section 3: "Property" shall mean and refer to Lots 1-12 inclusive, Block 1, of Sugar Mill, Section one (1), as recorded in Volume 22, Page 11, of the Plat records of Fort Bend County, Texas, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 4: "Subdivision" shall mean and refer to Sugar Mill, Section One (1), according to the above plat thereof filed for record in the Plat Records of Fort Bend County, Texas, and the property encompassed by its boundaries.

Section 5: "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Property with the exception of the Common Area, and public areas such as parks, parkways and esplanades.

Section 6: "Declarant" shall mean and refer to GENSTAR HOMES OF TEXAS, INC., a Texas corporation, its successors and assigns.

Section 7: "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 8: "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions for SUGAR MILL, SECTION ONE (1), recorded under Volume 822, Page 500, of the Deed Records of the Official Public Records of Real Property of Fort Bend County, Texas, and any amendments thereto. Terms used in these By-Laws shall have the same meaning as in the Declaration.

Section 9. "Common Area" shall mean all real property (including the improvements thereto) owned by the Association for the common use and enjoyment of the Owners.

ARTICLE III

MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the members shall be held on the last Tuesday in March, 1980, at 7:00 P.M., and subsequent annual meetings shall be held on the last Tuesday in each March thereafter at 7:00 P.M.; if a legal holiday, then on the next succeeding business day.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the President of the Association or Board of Directors, or upon written request of the members who are entitled to vote one-fourth (1/4) of all the votes of the Class A membership.

Section 3. Notice of Meetings. Written notice of all meetings of the members, both annual and special, shall be given by the Secretary or person authorized to call the meeting. Notice of the annual meeting shall be given at least ten (10) days prior to such meeting. Notice for any special meeting shall be given at least thirty (30) days, but not more than sixty (60) days before such meeting.

Notice shall be mailed, postage prepaid, to each member entitled to vote and to each first lienholder. Notice shall be addressed to the member's and first lienholder's address last appearing on the books of the Association or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, date, hour and purpose of the meeting. A waiver of notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

Section 4. Quorum. The presence at the meeting of the members entitled to cast, or of proxies entitled to cast, one-fourth (1/4) of the votes of each class of membership shall constitute a quorum for any action, except as otherwise required in the Articles of Incorporation, Declaration or these By-Laws. If the required quorum is not present, subsequent meetings may be called subject to the same notice requirements and the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 5. Proxies. At all meetings, each member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. When the full fee interest in any Lot is held by more than one (1) person, and all such persons are members, then the vote for such Lot shall be exercised in person or by proxy as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any Lot. In the event that multiple persons are voting by proxy, each owner's signature will be required on the proxy instrument. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his Lot.

Section 6 Business to be transacted. Unless otherwise indicated in the notice or waiver or waivers of notice thereof, any and all business may be transacted at any

annual or special meeting of the members; provided, however, no vote to (i) alienate, hypothecate, transfer or assign the Association's interest in the common areas, (ii) change the assessment provisions of the Declaration of Covenants, Conditions and Restrictions; or (iii) approve, modify, accept or otherwise effect or reject any plan of condemnation of the Property shall be effective until all first lienholders have been notified of said vote and given a period of thirty (30) days in which to contact the Owners or the Association and suggest alternatives or changes in the Association's plans, and further provided that no vote to (i) alienate, hypothecate, transfer or assign the Association's interest in the common areas, and (ii) change the assessment provisions of the Declaration of Covenants, Conditions and Restrictions, shall be effective until ratified by all first lienholders.

ARTICLE IV

BOARD OF DIRECTORS: SELECTION AND TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of five (5) Directors, who need not be members of the Association.

Section 2. Term of Office. At the first annual meeting the members shall elect two (2) directors for a term of one (1) year, two (2) directors for a term of two (2) years and one (1) director for a term of three (3) years; and at each annual meeting thereafter, the members shall elect directors for terms of three years, as needed.

Section 3. Removal. Any director may be removed from the Board, with or without cause, at a special meeting of the Association by members entitled to vote a majority of the aggregate of the votes of both classes of membership. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any service he may render to the Association.

Section 5. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval and consent of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or non-members.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Articles of Incorporation and Declaration. The persons receiving the largest number of votes shall be elected.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held quarterly at such place and hour as may be fixed from time to time by the Board. Not less than ten (10) days written notice of the Directors' regular meetings shall be given to the members of the Association in the manner prescribed in Article III, Section 3 above. One of such regular meetings shall be held immediately after the adjournment of the annual meeting of the Association. Should any of said meetings fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two directors, after not less than three (3) days notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. Subject to and consistent with the Declaration, of Covenants, Conditions and Restrictions, the Board of Directors shall have power to:

(a) Suspend the voting rights of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed 60 days for infractions of published rules and regulations;

(b) Exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws or the Articles of Incorporation, the Declaration of Covenants, Conditions, and Restrictions; and,

(c) Declare the office of a member of the Board of Directors to be vacant in the event each such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

Section 2. Duties. It shall be the duty of the Board of Directors to cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members or at any special meeting.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be a President, Vice President-Treasurer and Secretary who shall at all times be members of the Board of Directors, and such other officers as the Board, from time to time, by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, be removed, or otherwise be disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office, with or without cause, by the Board. Any officer may resign at any time giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Duties. The duties of the officers are as follows:

(a) President. The president shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all instruments on behalf of the Association and shall co-sign all checks.

(b) Vice President-Treasurer. The vice president-treasurer shall act in the place and stead of president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board; the vice president-treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks of the Association; keep proper books of account; and shall prepare an annual budget and a statement of income and expenditures to be represented to the membership at its regular annual meeting. Copies of these documents shall be available for purchase at a reasonable cost.

(c) Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; keep the corporate seal of the Association and affix it upon the minutes of the meetings of the Board of Directors and members and upon all other papers requiring said seal; serve notice of special meetings of the Board and of special meetings of the members; keep appropriate records showing the members of the Association together with their addresses; and perform such other duties as required by the Board.

ARTICLE IX

COMMITTEES

The Board of Directors shall appoint committees as deemed appropriate in carrying out its purposes.

ARTICLE X

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member. The Articles of Incorporation and By-Laws of the Association, and the Declaration and the Trust Agreement shall be available for inspection by any member at the principal office of the Association where copies may be purchased at a reasonable cost.

ARTICLE XI

CONTRACTS, CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

Section 1. The Board of Directors, except as in these By-laws otherwise provided, may authorize any officer or officers, agent or agents, in the name of and on behalf of the Association, to enter into any contract or execute and deliver any instrument, and such authority may be general or confined to specific instances; and, unless so authorized by the Board of Directors or expressly authorized by the By-laws no officer or agent or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable pecuniarily for any purpose or to any amount.

Section 2. No loan shall be contracted on behalf of the Association, and no negotiable papers shall be issued in its name, unless authorized by the vote of the Board of Directors.

Section 3. All checks, drafts and other orders for the payment of money out of the funds of the Association, and all notes or other evidence of indebtedness of the Association shall be signed on behalf of the Association and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such banks or other depositories as the Board of Directors may select and for the purpose of such deposit the President, a Vice President, the Treasurer, the Secretary or any other officer or agent or employee of the Association to whom such power may be delegated by the Board of Directors, may endorse, assign and deliver checks, drafts and other orders for the payment of money which are payable to the order of the Association.

Section 5. Any contract entered into by the Board of Directors during the time in which a majority of the Board of Directors is composed of persons who were elected during a time in which there were any Class B memberships outstanding, or such contracts were entered into prior to January 1, 1986, whichever is sooner, such contracts shall contain a provision that they may be revoked by a vote of the Board after January 1, 1986, or on the date upon which the majority of the Board of Directors is no longer composed of persons who were elected at a time in which there were any Class B memberships outstanding, whichever date comes sooner. Such contracts shall be revoked effective thirty (30) days after an affirmative vote of the Board of Directors to revoke.

ARTICLE XII

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: "SUGAR MILL COMMUNITY ASSOCIATION, INC."

ARTICLE XIII

FISCAL YEAR

The fiscal year of the Association shall begin on the 1st day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

ARTICLE XIV

INDEMNIFICATION

Each Director and officer of the Association shall be indemnified by the Association against any costs and expenses including attorneys fees actually and necessarily incurred in connection with the defense of any civil, criminal, administrative or other claim, action, suit or proceeding (whether by or in the right of the Association or otherwise) in which he may become involved or with which he may be threatened, by reason of his being or having been a Director or officer of the Association, and against any payments in settlement of any such claim, action, suit or proceeding or

in satisfaction of any related judgment, fine or penalty upon receipt by the Association of any opinion of independent legal counsel that he acted in good faith and in a manner he reasonably believed to be in or not opposed to the interests of the Association, and in respect of any criminal action, that he reasonably believed that his conduct was lawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the Director or officer did not act in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Association, and in respect of any criminal action or proceeding, did not reasonably believe that his conduct was lawful. The foregoing indemnification shall not be deemed exclusive of any other rights to which any Director or officer may be entitled under any other By-Law, agreement, vote of disinterested Director, as a matter of law or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office and shall continue as to a person who has ceased to be a Director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Notwithstanding the provisions of the preceding paragraph, no person shall be entitled to indemnification pursuant thereto in relation to any matter as to which indemnification shall not be permitted by law.

The Association may purchase and maintain insurance on behalf of any person who is or was a Director of the Association against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability under the preceding provisions of this Article or applicable provisions of law.

ARTICLE XV

AMENDMENTS

Section 1. These By-Laws may be amended, at any annual or special meeting of the members, by a majority of a quorum of each class of members present in person or by proxy at any annual or special meeting of the members.

Section 2. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

ARTICLE XVI

Only in the event of Federal Housing Administration or Veterans Administration approval of the property, and only as long as there is a Class B membership, the Federal Housing Administration or the Veterans Administration shall have the right to veto amendments to these By-Laws.

IN WITNESS WHEREOF, we, being all of the directors of SUGAR MILL COMMUNITY ASSOCIATION, INC., have hereunto set our hands this 31ST day of MAY, 1979.

William D. Quins

Jed T. Thompson

John E. Carver

Calvin Dunham, Jr.

William A. Taylor