

BYLAWS
OF
TEXAS PERFECTION RANCH
PROPERTY OWNERS ASSOCIATION, INC.

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PERFECTION RANCH PROPERTY OWNERS ASSOCIATION

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ARTICLE 1

OFFICES

1.01. Principal Office. The principal office of the Association shall be located at 17178 West FM 1097, Montgomery, Texas 77356.

1.02. Other Offices. The corporation also may have offices at such other places within Montgomery County, Texas, as the Board of Directors may from time to time determine or the business of the Association may require.

1.03. Change of Location. The Board of Directors may change the location of any office of the Association.

ARTICLE 2

DEFINITIONS

2.01. "Association" shall mean and refer to Texas Perfection Ranch Property Owners Association, Inc., its successors and assigns.

2.02. "Subdivision" shall mean and refer to that certain real property known as Texas Perfection Ranch, as depicted on the map or plat thereof, of record in Cabinet ____, Sheets ____, of the Map Records of Montgomery County, Texas, as such map or plat may be amended from time to time or as such Subdivision may be replatted or the name thereof changed, and such additions thereto as may hereafter be brought within the scheme of development of Texas Perfection Ranch Subdivision and the jurisdiction of the Association, including future sections, if any. At the time of the Board of Director's adoption of these Bylaws, Texas Perfection Ranch is in the process of being replatted and the replat will be filed for record in the Map Records of Montgomery County, Texas and the name of the Subdivision changed to "Perfection Ranch". Accordingly, all references in these Bylaws to "Texas Perfection Ranch" shall be references to Perfection Ranch at such time as the replat of the Subdivision is filed and the name changed.

2.03. "Common Area" shall mean all real property, if any, within the Subdivision, owned by the Association and dedicated for the common use and enjoyment of the Owners of property in the Subdivision.

2.04. "Lot" or "Lots" shall mean and refer to the numbered lots as shown on the plats of the Subdivision, any lot or tract resulting from the subdivision or re-subdivision of any Lot and any other tracts brought within the jurisdiction of the Association.

2.05. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Subdivision. In the event of an executory contract for installment sale or contract for deed covering any Lot, the "Owner" shall be

the purchaser named in the contract. "Owner" does not include those persons or entities holding title only as a lienholder or those having an interest in the mineral estate only.

2.06. "Declarant" shall mean and refer to Perfection Ranch Development, Ltd., a Texas limited partnership, its successors and assigns, if such successors or assigns should acquire the undeveloped Lots from the Declarant for the purpose of development.

2.07. "Restrictions" shall mean and refer to the Declaration of Covenants, Conditions, and Restrictions for Texas Perfection Ranch Project, Section I, as filed in the Official Public Records of Real Property of Montgomery County, Texas, under Clerk's File No. 2001-000222, together with any amendments, replacements or supplements thereto, and to any similar declaration applicable to other properties that may hereafter be brought within the scheme of development of Texas Perfection Ranch Subdivision and subjected to the jurisdiction of the Association. At the time of the adoption of these Bylaws, amended or replacement covenants, conditions or restrictions are being prepared that will be applicable to the Subdivision as replatted and renamed as "Perfection Ranch". When such amended or replacement covenants, conditions and restrictions are filed for record, all references herein to "Restrictions" shall be references to such amended and replacement covenants, conditions and restrictions.

2.08. "Member" shall mean and refer to those persons entitled to membership in the Association.

ARTICLE 3

QUALIFICATIONS FOR MEMBERSHIP

3.01. Membership. The membership of the Association shall consist of all the Owners of the Lots within the Subdivision or brought within the jurisdiction of the Association pursuant to the provisions and authority of said Restrictions, including contract purchasers. The foregoing is not intended to include persons or entities who hold title only as a lienholder, or those having an interest in the mineral estate only. Membership shall be appurtenant to and may not be separated from ownership of any Lot.

3.02. Proof of Membership. The rights of membership shall not be exercised by any person until satisfactory proof has been furnished to the Secretary of the Association that the person is qualified as a Member. Such proof may consist of a copy of a duly executed and acknowledged deed, contract for deed or title insurance policy evidencing ownership of a Lot or Lots in the Subdivision. Such deed, contract for deed or policy shall be deemed conclusive in the absence of a conflicting claim based on a later deed, contract or policy.

3.03. No Additional Qualification. The sole qualification for membership shall be ownership of a Lot or Lots in the Subdivision. No initiation fees, costs, or dues shall be assessed against any person as a condition of membership except such assessments, levies, and charges as are specifically authorized under the Restrictions.

3.04. Certificates of Membership. The Board of Directors may provide for the issuance of certificates evidencing membership in the Association which shall be in such form as may be determined by the Board. All certificates evidencing membership shall be consecutively numbered. The name and address of each Member and the date of issuance of the certificate shall be entered on the records of the Association and maintained by the Secretary at the principal office of the Association.

ARTICLE 4

VOTING RIGHTS

4.01. Voting. Except for Class B Members, voting shall be on a one vote per Lot basis. The Owner or Owners of each Lot are entitled to one vote [or in the case of Class B members, ten (10) votes] for each Lot owned in the Subdivision. If record title to a particular Lot or Lots is in the name of two or more persons, all co-owners shall be Members and may attend any meeting of the Association but the voting rights appurtenant to each such Lot may not be divided and fractional votes shall not be allowed. Any one of said co-owners may exercise the vote appurtenant to each such Lot so owned at any meeting of the Members and such vote shall be binding and conclusive on all of the other co-owners of said Lot who are not present; provided, if one of the non-attending co-owners has given the Association notice of objection to the attending co-owner's vote, no vote shall be cast for said Lot except upon notice of unanimous consent by all such co-owners being given to the Association. Except in the case of Class B Members, in the event more than one vote is cast for a single Lot by an Owner, none of the votes so cast shall be counted and all of such votes shall be deemed void. No Member shall be eligible to vote on any matter, including the election of Directors, if such Member is in default in the payment of any fees, assessments or fines due the Association.

4.02. Classes of Membership. The Association shall have two (2) classes of voting membership:

CLASS A. Class A Members shall be all Owners with the exception of the JPM Holding, Ltd., a Texas limited partnership, and/or Declarant if JPM Holding, Ltd. conveys to Declarant Lots for the purpose of resale and specifically assigns to Declarant JPM Holding, Ltd.'s Class B Membership with respect to such Lots. Class A Members shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

CLASS B. Class B Members shall be JPM Holdings, Ltd., a Texas limited partnership, and/or Declarant if JPM Holding, Ltd. conveys to Declarant Lots for the purpose of resale and specifically assigns to Declarant JPM Holding, Ltd.'s Class B Membership with respect to such Lots.

Class B Members shall be entitled to ten (10) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earliest: (i) When the Class B Members have conveyed 90% of

the Lots to retail purchasers or (ii) January 1, 2015.

4.03. Proxies. At all meetings of Members, Members may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary of the Association. Every proxy shall be revocable and shall automatically cease on conveyance by the Member of his Lot, or on receipt of notice by the Secretary of the death or judicially declared incompetence of such Member. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise specifically provided in the proxy.

4.04. Quorum. The presence, either in person or by proxy, at any meeting, of eligible Members entitled to cast at least twenty (20%) percent of the total eligible votes of the Association shall constitute a quorum for any action. If at the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No subsequent meeting shall be held more than (60) days following the preceding meeting.

4.05. Required Vote. The vote of the majority of the votes entitled to be cast by the Members present, or represented by proxy, at a meeting at which a quorum is present shall be the act of the meeting of the Members, unless the vote of a greater number is required by statute, the Restrictions, the Articles of Incorporation or these Bylaws.

4.06. Cumulative Voting. Cumulative voting shall not be permitted.

ARTICLE 5

MEETINGS OF MEMBERS

5.01. Annual Meetings. The annual meeting of the Members of the Association shall be held at the hour of 2:00 p.m. on the first (1st) Saturday in March of each year, beginning on the first (1st) Saturday in March, 2006, or on such other or on such other day and at such other time as the Board of Directors shall determine. If the day for the annual meeting of the Members is a legal holiday, the meeting shall be held at the same hour on the following Saturday.

5.02. Special Meetings. Special meetings of the Members may be called by the President, the Board of Directors, or by Members representing at least ten (10%) percent of the total votes entitled to be cast by the Members.

5.03. Place. Meetings of the Members shall be held within the Subdivision or at a convenient meeting place as close thereto as possible as the Board may specify in writing.

5.04. Notice of Meetings. Written notice of all Members' meetings shall be given by or at the direction of the Secretary of the Association (or other persons authorized to call the meeting) by mailing or personally delivering a copy of such notice at least ten (10) but not more than fifty (50) days before such meeting to each Member entitled to vote at such meeting, addressed to the

Member'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, day and hour of the meeting and, in the case of a special meeting, the nature of the business to be undertaken. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Member at the address last appearing on the books of the Association with postage thereon paid.

5.05. Order of Business at Meetings. The order of business at all meetings of the Members shall be as follows:

- (1) Roll call;
- (2) Proof of notice of meeting or waiver of notice;
- (3) Reading of Minutes of preceding meeting;
- (4) Reports of officers;
- (5) Reports of committees;
- (6) Election of directors;
- (7) Unfinished business; and
- (8) New business.

5.06. Action without Meeting. Any action required by law to be taken at a meeting of the Members, or any action which may be taken at a meeting of the Members, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Members and filed with the Secretary of the Association.

ARTICLE 6

BOARD OF DIRECTORS

6.01 Number. The affairs of the Association shall be managed by the Board of Directors consisting of no less than three (3) nor more than seven (7) persons. The number of Directors comprising the Board of Directors may be increased or decreased within these limits by resolution of the Board. No decrease in the number of Directors shall have the effect of shortening the term of any incumbent Director. JPM Holding, Ltd. and/or its assigns shall have the exclusive authority to appoint the Board of Directors until the Class B Members have conveyed ninety percent (90%) of the Lots to retail purchasers or January 1, 2015, whichever event first occurs. Except for Directors appointed by JPM Holding, Ltd. and/or its assigns during the period of Class B Membership, all Directors must be Members of the Association.

6.02 Term. The Directors appointed by JPM Holding, Ltd. and/or its assigns shall hold office until the first annual meeting of Members after the termination of Class B Membership or until their successors are elected and qualified. At the first annual meeting of Members after the termination of Class B Membership, seven (7) Directors will be elected, who will be divided into three classes. There will be two (2) Directors in the first class, who will hold office until the first annual meeting of Members after their election or until their successors are elected and qualified; there will be two (2) Directors in the second class, who will hold office until the second annual

meeting of Members after their election or until their successors are elected and qualified; and there will be three (3) Directors in the third class, who will hold office until the third annual meeting of members after their election or until their successors are elected and qualified. At each annual meeting of Members thereafter, Directors will be elected for the class whose term of office expires at that meeting, and they will hold office until the third annual meeting of Members after their election or until their successors are elected and qualified.

6.03 Removal. Except for Directors appointed by JPM Holding, Ltd. and/or its assigns pursuant to the provisions of Paragraph 6.01 above, who shall serve until the first annual meeting of Members after the termination of Class B Membership or until their successors are elected and qualified, Directors may be removed from office with or without cause by a majority of all of the votes entitled to be cast by the Members of the Association.

6.04 Vacancies. In the event of a vacancy on the Board caused by the death, resignation, or removal of a Director, the remaining Directors shall, by majority vote, elect a successor who shall serve for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of directors shall be filled by election at an annual meeting or at a special meeting of Members called for that purpose.

6.05 Compensation. No Director shall receive compensation for any service he may render to the Association. A Director may, however, be reimbursed by the Board for actual expenses incurred by him in the performance of his duties.

6.06 Powers and Duties. The Board shall have the powers and duties, and shall be subject to limitations on such powers and duties, as enumerated in these Bylaws or in the Restrictions or as set forth in the Articles of Incorporation of the Association. In addition, the Board of Directors shall have the following powers and duties:

- a. 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;
- b. supervise all officers, agents and employees of this Association, and see that their duties are properly performed;
- c. as more fully provided in the Restrictions to:
 - (1) adjust the amount of the annual maintenance fund assessment against each lot;
 - (2) send written notice of each assessment to every Owner subject thereto; and
 - (3) foreclose the lien against any property for which assessments are not timely paid and/or bring an action at law against each Owner personally obligated to pay the same;

- d. issue, or to cause an appropriate office to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;
- e. procure and maintain, if possible, adequate liability and hazard insurance on property owned by the Association;
- f. cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;
- g. cause the private roads and streets in the Subdivision to be maintained;
- h. cause the Common Area to be maintained;
- i. cause the Restrictions of the Subdivision to be enforced and administered;
- j. cause the architectural control of the Subdivision as set forth in the Restrictions;
- k. employ such accountants, attorneys, contractors or other persons or entities as the Board deems necessary to manage and administer the affairs of the Association;
- l. manage the affairs of the Association; and
- m. perform all acts and do all things provided for or contemplated to be done by the Association in the Restrictions and the Articles of Incorporation.

Directors shall exercise ordinary business judgment in managing the affairs of the Association. Directors shall act as fiduciaries with respect to the interests of the Members. In acting in their official capacity as directors of this Association, directors shall act in good faith and take actions they reasonably believe to be in the best interests of the Association and that are not unlawful. In all instances, the directors shall not take any action that they should reasonably believe would be contrary to the Association's best interests or would be unlawful. A director shall not be liable if, in the exercise of ordinary care, the director acts in good faith relying on written financial and legal statements provided by an accountant or attorney retained by the Association.

6.07 Actions of Board of Directors. The Board of Directors shall try to act by consensus. However, the vote of a majority of directors present and voting at a meeting at which a quorum is present shall be sufficient to constitute the act of the Board of Directors unless the act of a greater number is required by law or these Bylaws. A director who is present at a meeting and abstains from a vote is considered to be present and voting for the purpose of determining the decision of the Board of Directors. For the purpose of determining the decision of the Board of Directors, a director who is represented by proxy in a vote is considered present.

ARTICLE 7

NOMINATION AND ELECTION OF DIRECTORS

7.01. Nomination of Directors. Candidates for the Board of Directors of the Association may be nominated (i) by petition signed by eligible Members entitled to cast at least four (4) votes, provided such petition shall be received by the Secretary at least five (5) days before the annual meeting, or (ii) at the annual meeting by motion and seconds of eligible Members entitled to cast at least three (3) votes. No Member shall be eligible to be nominated for or to serve on the Board of Directors if such Member is in default on any fees, assessments or fines due the Association.

7.02. Election. Directors are elected at the annual meeting of Members of the Association. Members, or their proxies, may cast, in respect to each directorship to be filled, as many votes as they are entitled to exercise under the provisions of the Restrictions. The nominees receiving the highest number of votes shall be elected. No Member may cumulate votes.

7.03. Rules and Procedures. The Board of Directors may adopt rules and procedures for the conduct of annual elections of Directors, provided that such rules and procedures are not inconsistent with these Bylaws.

ARTICLE 8

MEETINGS OF DIRECTORS

8.01. Regular Meetings. Regular meetings of the Board of Directors shall be held no less often than quarterly at such place and at such time as may be fixed from time to time by resolution of the Board. The first regular meeting of each new Board shall be held within twenty (20) days after the annual meeting of Members. Notice of the time and place of such meeting shall be mailed or delivered to each member of the Board of Directors not less than five (5) nor more than fifteen (15) days before the date of the meeting. No notice of regular meetings of the Board of Directors (except for first regular meeting of each new Board) shall be required.

8.02. Special Meetings. Special meetings of the Board of Directors shall be held when called by written notice signed by the President and Secretary of the Board of Directors or by any two Directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. Notice of any special meeting must be given to each Director not less than five (5) days (except in the case of emergencies), or more than fifteen (15) days prior to the date fixed for such meeting by written notice delivered personally or sent by mail or telegram to each Director at his address as shown in the records of the Association.

8.03. Quorum. A quorum for the transaction of business by the Board of Directors shall be a majority of the number of Directors constituting the Board of Directors as fixed by these Bylaws.

8.04. Voting Requirement. The act of the majority of Directors present at a meeting at which

a quorum is present shall be the act of the Board of Directors unless any provision of the Articles of Incorporation or these Bylaws requires the vote of a greater number.

8.05. Open Meetings. Regular and special meetings of the Board shall be open to all Members of the Association; provided, however, that Association Members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board.

8.06. Executive Session. The Board may, with the approval of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote on personnel matters, litigation in which the Association is or may become involved, and other business of a confidential nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

ARTICLE 9

COMMITTEES

9.01. Appointed by Board of Directors. The Board of Directors shall appoint such committees as are required by the Restrictions. The Board may from time to time establish and appoint to such other committees as it shall deem necessary and advisable to assist the Board in the general operation and management of the Association. The Chairman and all Members of each such committee must be a Member of the Association.

9.02. Authority of Committees. The Board of Directors may grant to any committee thus established by the Board such authority and power consistent with these Bylaws as the Board shall deem required to carry out the intended purposes and functions of such committee.

9.03. Discharge of Committees and Committeemen. The Board of Directors may discharge any committee established by the Board and may remove and replace any committeeman appointed to any committee.

ARTICLE 10

OFFICERS

10.01. Enumeration of Officers. The Officers of the Association (who shall at all times be members of the Board of Directors) shall be a President, a Vice President, a Secretary and a Treasurer. The Board of Directors may, by resolution, create such other offices as it deems necessary or desirable.

10.02. Term. The Officers of this Association shall be elected annually by the Board of Directors and each shall hold office for a term of one year, unless such officer shall sooner resign, be removed, or be otherwise disqualified to serve.

10.03. Resignation and Removal. Any Officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect at the date of receipt of such notice or at any later time specified therein. Any officer may be removed from office by the Board whenever, in the Board's judgment, the best interests of the Association would be served by such removal.

10.04. Multiple Offices. Any two or more offices may be held by the same person, except the offices of President and Secretary.

10.05. Compensation. Officers shall not receive compensation for services rendered to the Association.

ARTICLE 11

PRESIDENT

11.01. Election. At the first meeting of the Board immediately following the annual meeting of the Members, the Board shall elect one of its members to act as President.

11.02. Duties. The President shall:

- (a) Preside over all meetings of the Members and of the Board;
- (b) Sign as President all deeds, contracts, and other instruments in writing which have been first approved by the Board, unless the Board, by duly adopted resolution, has authorized the signature of a lesser officer;
- (c) Call meetings of the Board whenever he deems it necessary in accordance with rules and on notice agreed to by the Board. The notice period shall, with the exception of emergencies, in no event be less than five (5) days; and
- (d) Have, subject to the advice of the Board, general supervision, direction and control of the affairs of the Association and discharge such other duties as may be required of him by the Board.

ARTICLE 12

VICE PRESIDENT

12.01. Election. At the first meeting of the Board immediately following the annual meeting of the Members, the Board shall elect one of its members to act as Vice President.

12.02. Duties. The Vice President shall:

(a) Act in the place and in the stead of the President in the event of his absence, inability, or refusal to act; and

(b) Exercise and discharge such other duties as may be required of him by the Board. In connection with any such additional duties, the Vice President shall be responsible to the President.

ARTICLE 13

SECRETARY

13.01. Election. At the first meeting of the Board immediately following the annual meeting of the Members, the Board shall elect a Secretary. The Secretary need not be a member of the Board.

13.02. Duties. The Secretary shall:

- (a) Keep a record of all meetings and proceedings of the Board and of the Members;
- (b) Keep the seal of the Association, if any, and affix it on all papers requiring said seal;
- (c) Serve such notices of meetings of the Board and the Members required either by law or by these Bylaws;
- (d) Keep appropriate current records showing the members of this Association together with their addresses; and
- (e) Sign as Secretary all deeds, contracts, and other instruments in writing which have been first approved by the Board if said instruments require a second Association signature, unless the Board has authorized another Officer to sign in the place and stead of the Secretary by duly adopted resolution.

ARTICLE 14

TREASURER

14.01. Election. At the first meeting of the Board immediately following the annual meeting of the members, the Board shall elect a Treasurer. The Treasurer need not be a member of the Board.

14.02. Duties. The Treasurer shall:

- (a) Receive and deposit in such bank or banks as the Board may from time to time direct, all of the funds of the Association;

- (b) Be responsible for, and supervise the maintenance of, books and records to account for such funds and other Association assets;
- (c) Disburse and withdraw said funds as the Board may from time to time direct, and in accordance with prescribed procedures; and
- (d) Prepare and distribute the financial statements for the Association required by the Restrictions.

ARTICLE 15

BOOKS AND RECORDS

15.01. Maintenance. Complete and correct records of account and minutes of proceedings of meetings of Members, Directors, and committees shall be kept at the registered office of the Association. A record containing the names and addresses of all Members entitled to vote shall be kept at the registered office or principal place of business of the Association.

15.02. Inspection. The Restrictions of the Subdivision, the Articles of Incorporation and the Bylaws of the Association, the membership register, the books of account, and the minutes of proceedings, shall be available for inspection and copying by any Member of the Association or any Director for any proper purpose at any reasonable time.

ARTICLE 16

AMENDMENTS

16.01. Amendments. The Board of Directors of this Association is expressly authorized to alter, amend, or repeal the Bylaws or to adopt new Bylaws of this Association, without any action on the part of the Members; provided however, after the first annual meeting of the Members in 2008, the Bylaws made by the Directors and the powers so conferred may be altered or repealed or new Bylaws adopted by a majority of the vote of the eligible Members present and voting, in person or by proxy, at any annual or special meeting or election called for that purpose; provided, however, that a statement of the proposed modifications, alterations, amendments, or repeal and proposed new Bylaws shall be signed by either the Board of Directors or by ten percent (10%) or more of the Members entitled to vote and delivered to the Board of Directors at least twenty (20) days before the date of such meeting or election; and it shall be the duty of the Board of Directors to cause a copy of such proposed modifications, alterations, amendments, or repeal and proposed new Bylaws to be mailed to each member of the Association at his last known address as shown on the books of the Association at least ten (10) days before such meeting or election.

ARTICLE 17

CONFLICTS

17.01. Restrictions Govern. In the event of a conflict between the provisions of these Bylaws and the Restrictions, the terms and provisions of the Restrictions shall prevail.

Attestation


ADOPTED by the Board of Directors on this 10th day of February, 2005.



Director

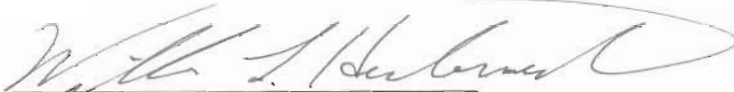


Director



Director

ATTEST:



Secretary