

**CAPSTONE ESTATES HOMEOWNERS' ASSOCIATION, LLC
BYLAWS**

1. Article 1 — Name and Purpose

- (a) **Name.** The Corporation is “Capstone Estates Homeowners’ Association, LLC,” hereinafter referred to as CEHOA, located in Victoria County, Texas.
- (1) **Provisions.** The CEHOA has been organized as a non-profit organization. Therefore, no member of the Board of Directors or person for whom the CEHOA may receive any property or funds shall be lawfully entitled to receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the CEHOA be paid as salary or compensation or distributed to, or inure to the benefit of any member of the Board of Directors; provided, however, (a) reasonable compensation may be paid with the approval of the Board of Directors to any member while acting as an agent or employee of the CEHOA for service rendered in affecting one or more of the purposes of the CEHOA and; (b) any member of the Board of Directors of the CEHOA may be reimbursed for actual and reasonable expense properly incurred in connection with the administration of the affairs of the CEHOA.
- (b) **Purpose.** The CEHOA was organized and shall be operated to promote the civic interest of persons owning lots in the Capstone Estates Subdivision located in Victoria County, Texas.

2. Article 2 — Membership, Lot Owners, Voting, Quorum and Absentee Ballots

- (a) **Membership.** The CEHOA shall have a membership specifically limited to CEHOA lot owners. The membership is transferred with the ownership of said lots including sale, inheritance, assignment, or foreclosure.
- (b) **Lot Owners.** As used in these Bylaws, the term “lot owners” shall mean those owners of lots in the Capstone Estates Subdivision as it may exist at any particular time according to plats then filed for record with the County Clerk of Victoria County, Texas.
- (c) **Voting.** To qualify as a voting member of the CEHOA, only lot owners subject to and current in payment with CEHOA fees are entitled to vote or participate in any business including meetings, elections, etc. Each owner will have one vote per lot owned if current with said fees (see Article 6). These voting rights apply to all CEHOA issues requiring membership vote including modifying the “Declaration of Protective Restrictions,” CEHOA fees, director nominations, and director elections.
- (1) The developer, Timothy Scott Rampey, and wife, Nita Gayle Rampey, and their designated successors and assigns, as well as any builder constructing houses for sale are expressly excluded from the annual CEHOA maintenance fee and from voting rights.
- (2) Any CEHOA member who owns two adjacent lots within the Capstone Estates Subdivision for one single-residence dwelling will be entitled to a single vote and will be assessed a single annual CEHOA maintenance fee.
- (d) **Quorum.** The presence in person or by absentee ballot of thirty percent (30%) of the lot owners entitled to vote will constitute a quorum.
- (e) **Absentee Ballots.** Lot owners may cast votes in person or by absentee ballot. Absentee ballots must be filed with the Secretary of the Board of Directors before the appointed time of each meeting. Absentee ballots received by the CEHOA Secretary will be counted at the Annual Meeting for the election of directors nominated by the nominating committee or at any other meeting which provides for absentee voting.

3. **Article 3 — Administration**

- (a) **Board of Directors.** The affairs of the CEHOA will be administered through the Board of Directors. At the annual meeting of lot owners the owners shall elect a Board consisting of at least three (3) Directors. The Board officers shall consist of a President, a Vice President and a Secretary.
- (b) **Place of Meeting.** Meetings of the CEHOA shall be held at such place as the Board of Directors may determine.
- (c) **Annual Meetings.** The Annual Meeting of the CEHOA is to be held on the third Saturday in February of each year.
- (d) **Special Meetings.** It shall be the duty of the President, or Vice President in the absence of the President, to call a special meeting of the lot owners as directed by resolution of the Board of Directors or upon a petition signed and presented to the Secretary by a minimum of thirty percent (30%) of the qualified lot owners. The notice of a meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of four-fifths (4/5) of lot owners represented, either in person or by absentee ballot.
- (e) **Notice of Meetings.** It shall be the duty of the Secretary to mail, hand deliver, or e-mail a written notice of each Annual Meeting or Special Meeting stating the purposes thereof as well as the time and place where it is to be held to each lot owner of record, at least fourteen (14) but not more than fifty (50) days prior to each meeting. Such notification shall be considered notice served. If any meeting of lot owners cannot be organized because a quorum is not present, the lot owners who are present either in person or by absentee ballot may adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called, and the required quorum at the subsequent meeting will be one-half (1/2) of the required quorum at the preceding meeting.
- (f) **Order of Business.** The order of business at all meetings of the lot owners shall so far as applicable be as follows:
 - (1) Identification of lots represented at the meeting either by owners or designated representative
 - (2) Proof of notice of meeting
 - (3) Reading of minutes of preceding meeting
 - (4) Reports of officers
 - (5) Reports of committees
 - (6) Election of directors (if Annual Meeting)
 - (7) Unfinished business
 - (8) New business

4. **Article 4—Powers and Duties of the Board**

- (a) **Administration.** The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the CEHOA to operate and maintain a premiere residential subdivision to include the following:
 - (1) Administer and enforce the Declaration of Protective Restrictions upon the dissolution of the Architectural Control Committee (ACC). Upon the dissolution of the ACC, any violation of the Declaration of Protective Restrictions will be deemed to be such when (a) those written restrictions are violated or (b) the Board of Directors is presented with a petition signed by seventy-five percent (75%) of lot owners requesting that the Board of Directors take action against what is perceived to be harmful to property values.

- (2) Provide personnel to maintain all common areas and provide security to the extent funds are available.
 - (3) Collect delinquent fees by suit or otherwise and enjoin or seek damages from lot owners as provided for in the Capstone Estates Declaration of Protective Restrictions.
 - (4) Enter into contracts, but only within the scope of their duties and powers.
 - (5) Establish a bank account in Victoria, Texas, for the common treasury.
 - (6) Prepare and deliver annually to each lot owner a statement showing by categories all receipts, expenses, or disbursements since the last such statement.
 - (7) Authorize the President or Vice President in the absence of the President and the Secretary to execute any and all instruments of conveyance or encumbrance.
 - (8) In general carry on the administration of the CEHOA and do all of those things necessary and reasonable in order to accomplish the purposes of the CEHOA.
- (b) **Nomination, Election, and Term of Office.** The Board of Directors will be nominated and elected by a majority vote of qualified voting lot owners as follows:
- (1) **Nomination of Directors.** The President of the CEHOA shall appoint a nominating committee consisting of qualified voting CEHOA lot owners to solicit names of the individuals willing to serve on the Board of Directors. To qualify as a nominee for the Board of Directors the nominee must be a qualified voting lot owner. Well in advance of the CEHOA Annual Meeting the nominating committee shall mail out an absentee ballot to each qualified voting CEHOA lot owner for the position of Director and the number of Directors to be voted for at the next Annual Meeting of the CEHOA.
 - (2) Directors will be elected at the Annual Meeting by a majority vote of qualified voting lot owners.
- (c) **Vacancies.** Vacancies coming into existence for any reason other than the removal of a Director by a vote of the CEHOA shall be filled by vote of the majority of the remaining Directors, and each person so elected shall be a Director until a successor is elected at the next Annual Meeting of the CEHOA.
- (d) **Removal of Directors.** At any regular or special meeting of qualified voting lot owners duly called, any one or more of the Directors may be removed with or without cause if approved by no less than thirty percent (30%) of the then qualified voting lot owners, or a majority of those represented at a meeting of qualified voting lot owners, whichever is greater, and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the lot owners shall be given an opportunity to be heard at the meeting.
- (e) **Annual Organizational Meeting.** The first meeting of a newly elected Board of Directors each year shall be held, if practical, within ten (10) days after the election.
- (f) **Regular Meetings.** Regular meetings of the Board of Directors may be held at such time and place as shall be determined by a majority of the Directors. Notice of regular meetings of the Board of Directors shall (unless waived) be given to each Director personally, by mail, by e-mail, or by telephone at least three (3) days prior to the day named for such meeting.
- (g) **Waiver of Notice.** Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by that Director of the time and place thereof. If all of the Directors are present at any meeting of the Board, no notice shall be required, and any business may be transacted at such meeting.

- (h) **Board of Directors' Quorum.** At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors, except that where (as in the case of removal of officers) action by a majority of the Directors is required, then the action must be approved by a majority of the entire Board of Directors as it exists at the time the action is taken. If at any meeting of the Board of Directors there is less than a quorum present, the majority of those present may adjourn the meeting.
- (i) **Indemnification of Directors or Officers.** The CEHOA shall indemnify all Directors or Officers, their heirs, executors and administrators, against all loss, cost, and expense, including counsel fees, reasonably incurred by them in connection with any action, suit, or proceeding to which they may be made a party by reason of their being or having been a Director or Officer of the CEHOA, except as to matters in which they shall be finally adjudged in such action, suit, or proceeding to be liable for gross negligence or willful misconduct in the performance of their duties as such Director or Officer may be entitled. All liability, loss damage, cost, and expense incurred or suffered by the CEHOA by reason of arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the CEHOA as common expense.

5. **Article 5 — Officers**

- (a) **Election of Officers.** The Officers of the CEHOA shall be elected annually by the Board of Directors at the organizational meeting of each new Board and shall hold office at the pleasure of the Board.
- (b) **Removal of Officers.** Upon an affirmative vote of a majority of the members of the Board of Directors, officers may be removed with cause and their successors elected at any regular meeting of the Board of Directors or at any special meeting of the Board called for such purpose.
- (c) **President.** The President shall be the chief executive officer of the CEHOA and shall preside at all the meetings of the CEHOA and of the Board of Directors. The President shall have all the general powers and duties which are usually vested in the office of President of a corporation, included but not limited to the discretionary powers to appoint committees from among qualified lot owners to assist in the conduct of the affairs of the CEHOA.
- (d) **Vice President.** The Vice President shall act at the President's direction and shall have all the powers, authority, and obligations of the President in the President's absence.
- (e) **Secretary.** The Secretary shall have the following responsibilities and duties:
 - (1) Keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the CEHOA.
 - (2) Have charge of such books and papers as the Board of Directors may direct; and
 - (3) In general perform all the duties of the office of Secretary.

6. **Article 6 — Obligation of the Lot Owners**

- (a) **Fees and Liens.** Lot owners in the Subdivision shall be obligated to pay the annual fees imposed by the CEHOA to meet the common expenses. No lot assessment will be required until eight (8) Subdivision lots have been sold. A lot owner's first fees will be prorated based on the number of days left in the year, assessment beginning with: (1) the date on which the permanent electrical connection is completed, (2) the date on which the electrical connection is transferred to the name of the lot owner, or (3) beginning two (2) years after the date on which the lot owner purchased said lot or lots, whichever comes first.

- (b) **Creation of the Lien: Personal Obligation of Fees.** Each residential lot in Capstone Estates is hereby subjected to an annual maintenance charge, and each lot owner hereby covenants, and each subsequent owner, by acceptance of a deed therefore, whether or not it shall be expressed in such deed, is deemed to covenant and agrees to pay CEHOA, LLC, annual maintenance charge fees, such assessments to be established and collected as hereinafter provided and shall constitute the proceeds of a fund (hereinafter called the "maintenance fund") to be used for the purposes hereinafter provided. The annual maintenance charge fees, together with interest, costs, and reasonable attorney's fees, shall be a charge on the lot and shall be a continuing lien upon the lot against which each assessment is made. Each such assessment, together with interest, costs, and reasonable attorney's fees, shall also be the personal obligation of the person who was the owner of such lot at the time when the fee became due. The personal obligation for delinquent fees shall not pass to his successors in title unless assumed by them. As stated in Article 2(c),
- (1) The developer, Timothy Scott Rampey, and wife, Nita Gayle Rampey, and their designated successors and assigns, as well as any builder constructing houses for sale are expressly excluded from the annual CEHOA maintenance fee and from voting rights.
 - (2) Any CEHOA member who owns two adjacent lots within the Capstone Estates Subdivision for one single-residence dwelling will be entitled to a single vote and will be assessed a single annual CEHOA maintenance fee.
- (c) **Purpose of Fees.** The fees levied by the CEHOA shall be used exclusively to promote the recreation, health, safety, and welfare of the residents in the Subdivision, and the CEHOA shall use the proceeds of said maintenance fund for the use and benefit of all residents of the Subdivision. The uses and benefits to be provided by the CEHOA shall include, by way of example but without limitation, at its sole option, any and all of the following:
- (1) Maintaining parkways, rights-of-way, easements, and esplanades;
 - (2) Furnishing and maintaining landscaping, lighting, and beautification of the common properties;
 - (3) Payment of all legal and other expenses incurred in connection with the enforcement of all recorded charges and fees, covenants, restrictions, and conditions affecting the properties to which the maintenance fund applies;
 - (4) Payment of all reasonable and necessary expenses in connection with the collection and administration of the maintenance charge and assessment;
 - (5) Employing police or security workers and doing other things and taking such other actions as are necessary or desirable in the opinion of the CEHOA to keep the lots and the Subdivision neat and in good order, or which is considered of general benefit to the owners or occupants of the lots in the Subdivision, it being understood that the judgment of the CEHOA in the expenditure of said funds shall be final and conclusive so long as such judgment is exercised in good faith.
- (d) **Maximum Fees.** Until January 1, 2014, the maximum fee shall be one dollar (\$1) per day per lot once transfer of lot ownership occurs, beginning with the date on which the permanent electrical connection is completed or beginning two (2) years after the date on which the lot owner purchased said lot or lots, whichever comes first. After January 1, 2014, the maximum fee may be increased by the Board of Directors each year (beginning with the year 2014), without a vote of the membership, by an amount not in excess of ten percent (10%) of the maximum fee for the previous year. After January 1, 2014, the

maximum fee may be increased for any year (beginning with the year 2015) by an amount in excess of ten percent (10%) of the maximum fee for the previous year only by a vote of two-thirds (2/3) of the lot owners who are voting in person or by absentee ballot at a CEHOA Annual Meeting or at a meeting duly called for this purpose.

- (e) **Rate of Assessments.** The Board of Directors at its discretion after January 1, 2014, may fix, by resolution specifying such amount, the fee at any amount not in excess of the maximum then permitted under the terms of Section 6(d) above, and such CEHOA fees, when fixed, shall be assessed and paid at the rate to be determined by the Board of Directors.
- (f) **Due Dates.** The Board of Directors shall fix the amount of the fees against each lot and send written notification to lot owners at least fifteen (15) days in advance (December 15) of the annual fee due date which shall be December 31 of each year. The CEHOA shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the CEHOA setting forth whether the fees on a specified lot have been paid.
- (g) **Effect of Non-Payment of Fees; Remedies of CEHOA.** If any assessment charge is not paid within thirty (30) days from the due date thereof, the same shall bear interest at the maximum interest allowed by the laws of the State of Texas. The CEHOA may bring an action at law against the owner personally obligated to pay the same, or foreclose the lien created hereby against the lot. No owner may waive or otherwise escape liability for the fees provided for herein by abandonment of his lot.
- (h) **Subordination of the Lien to Mortgages.** The lien of the assessments provided for herein, as it applies to any lot, shall be second, subordinate, and inferior to all liens, present and future, given, granted, and created by or at the instance or request of the owner of any such lot to secure the payment of monies advanced or to be advanced on account of the purchase price and/or the improvement of any such lot, and further provided that as a condition precedent to any proceeding to enforce such lien upon any lot upon which there is an outstanding valid and subsisting mortgage lien, said beneficiary shall give the holder of such mortgage lien sixty (60) days written notice of such proposed action, such notice, which shall be sent to the nearest office of such mortgage holder by prepaid USPS Registered Mail, to contain the statement of the delinquent maintenance charges upon which the proposed action is based. Upon the request of any such mortgage lien holder, said beneficiary shall acknowledge in writing its objection to give the foregoing notice with respect to the particular lot covered by such mortgage lien to the holder thereof. No sale or transfer of a lot shall relieve the owner of such lot from liability for any fees theretofore having become due or such lot from lien thereof.

7. Article 7—Amendments to CEHOA Bylaws

- (a) **Amendments.** These Bylaws may be amended by the CEHOA at duly constituted meetings of lot owners called for such purpose, but no amendment shall take effect unless approved by no less than thirty percent (30%) of the then qualified voting lot owners or a majority of those represented at a meeting of qualified voting lot owners called for such purpose, whichever is greater.
- (b) **Approval.** Upon approval of a modification to this document, the current President and Secretary of the CEHOA will sign and date the amended copy and file it for record at the Victoria County Courthouse. The filed copy will become the record copy and will be considered current and active for purpose of reference to the Bylaws.