

BY-LAWS

of

KESTREL AIR PARK ASSOCIATION

A Texas Non-Profit Corporation

ARTICLE 1: Name and Location

1.1 Name. The name of the Corporation is "Kestrel Air Park Association" hereinafter referred to as "KAPRA" or the "Association".

1.2 Location. The registered office of the Corporation is located at 150 Flightline, Spring Branch, Texas 78070, and the name of the registered agent of the Association at such address is the current Chairman of the Board of Directors.

ARTICLE 2: Definitions

2.1. Definitions. As used herein, the following words, terms and phrases shall have the meanings ascribed and given to them, as follows:

- (a) Air Park Association. "Air Park Association" shall mean the Texas non-profit corporation, Kestrel Air Park Association, incorporated and assigned the powers of maintaining and preserving the Kestrel Air Park;
- (b) Air Park Lot(s) "Air Park Lot" or "Air Park Lots" shall mean those lots platted as Block 7 and Block 8, Lots 1 through 7, on the Master Plan and Declaration.
- (c) Association. "Association" shall mean the Kestrel Air Park Association, a Texas non-profit corporation, also known as KAPRA;
- (d) Aviator. Aviator shall mean person with FAA certificate or military certificate and their spouses.
- (e) Category A & B. Shall be as defined in Exhibit A of the Master Plan and Declaration.
- (f) Declarant. "Declarant" shall mean KNOWLTON PROPERTIES, LTD., a Texas limited partnership, its successors and assigns who are designated as such by Declarant, and who consent in writing to assume the duties, responsibilities and obligations of Declarant with respect to Lots acquired by such successor or assign;
- (g) Declaration "Declaration" shall mean the Declaration of Covenants, Conditions and Restrictions filed by Declarant covering all Lots within the Subdivisions, as it may be amended from time to time;
- (h) Hangar Area Lot. "Hangar Area Lot" shall mean the lot designated on EXHIBIT "B" to the Declaration as the "Category 'c' Lot";
- (i) KAPRA. "KAPRA" shall mean the Kestrel Air Park Association.
- (j) Kestrel Air Park. "Kestrel Air Park" shall mean the private airfield, including the Airstrip, Taxiways and other Limited Common Areas associated with the same as those terms are defined in the Declaration;

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- (k) Lot. "Lot" shall mean a lot owned by a Member;
- (l) Limited Common Area(s). "Limited Common Area(s)" shall mean the Kestrel Air Park;
- (m) limited Common Facilities. "Limited Common Facilities" shall mean all improvements located on the Limited Common Areas;
- (n) Members "Member(s)" shall mean all owners of Air Park Lots and such other owners of other Eligible Lots within the Subdivisions who elect to join the Association.
- (o) Membership Unit or Membership Units. "Membership Unit" or "Membership Units" shall mean those units of membership in the Association assigned to the Members in accordance with EXHIBIT "A" and EXHIBIT "B" to the Declaration;
- (p) Plats. "Plats" shall mean the plats of the Subdivisions recorded in Volume 12, Pages 314-316, and Volume 12, Page 317, of the Map and Plat Records of Comal County, Texas;
- (q) Other Eligible lots. "Other Eligible Lots" shall mean the Hangar Area Lot and the General Commercial Lots, as those terms are defined in the Declaration, who elect to become Members of the Air Park Association;
- (r) Statute "Statute" shall mean the Texas Non-Profit Corporations Act, Article 1396, et seq., Revised Civil Statutes of Texas;
- (s) Subdivisions. "Subdivisions" shall mean the KESTREL AIR PARK SUBDIVISION and the KESTREL AIR PARK UNIT 2 SUBDIVISION according to the Plats;

ARTICLE 3: Members

3.1 Membership. Any person on becoming an owner of a fee or interest in any Air Park Lot shall automatically become a Member of the Association and be subject to these By-Laws; provided, however, that any person or entity holding an interest in any such Air Park Lot merely as security for the performance of an obligation, shall not be a Member. The owners of the Hangar Area Lot and the General Commercial Lots shall be entitled, but not required, to be Members of the Air Park Association in accordance with and as limited by the Declaration. Such membership shall terminate with respect to any of the foregoing parties without any formal Association action whenever such person ceases to own a Air Park Lot in the Subdivisions, or, in the case of those owning the Hangar Area Lot and General Commercial Lots, when they elect to no longer be Members of the Association, but such termination shall not relieve or release any such former Member from any liability or obligation incurred under or in any way connected with the Member's Lot or Subdivisions during the period of such ownership and membership in the Association, or impair any rights or remedies which the Board of Directors of the Association or other parties may have against such former Member arising out of or in any way connected with such ownership and membership and the covenants and obligations incident thereto.

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3.2 Place of Meetings. All meetings of the Members shall be held at such time and place, within or without the State of Texas, as may be designated for that purpose from time-to-time by the Board of Directors.

3.3 Semi-Annual Meetings. Two semi-annual meetings of the Members shall be held in May and November by dates selected by a majority of the members of the Board of Directors. At either meeting, the members shall transact such business as may properly be brought before the Board. At the November meeting, the Members shall elect directors for expired or vacant positions.

3.4 Voting List of Members At least ten (10) days before each meeting of Members, a complete list of the Members entitled to vote at the meeting, in alphabetical order, with the address of each and the number of voting Membership Units held by each, shall be prepared by the officer or agent having charge of the Membership Units Register. The list, for a period of ten (10) days prior to the meeting, shall be kept on file at the registered office of the Association and shall be subject to inspection by any Member at any time during usual business hours. The list shall also be produced and kept open at the time and place of the meeting during the entire time thereof, and shall be subject to inspection of any Member during the entire time of the meeting.

3.5 Special Meetings. Special meetings of the Members, for any purpose or purposes, unless otherwise prescribed by statute or by the Articles of Incorporation, or by these By-Laws, may be called by the Board of Directors, or the holders of not less than one-fourth (1/4) of all the Membership Units entitled to vote at the meeting. Notwithstanding the foregoing, meeting of the Members shall not be more frequently than one (1) time per month, unless the meeting is called by the Board of Directors or the holders of not less than sixty percent (60.0%) of all the Membership Units entitled to vote at the meeting. Business transacted at a special meeting shall be confined to the objects stated in the notice of the meeting.

3.6 Notice. Written or printed notice stating the place, day and hour of the meeting, and in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than fifty (50) days before the beginning of the meeting, either personally or by mail, by or at the direction of the President, Secretary or the officer or person calling the meeting, to each Member of record entitled to vote at the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Member at his address as it appears on the stock transfer books of the Association, with postage thereon prepaid.

3.7 Quorum. The holders of "a majority of the Membership Units issued and outstanding and entitled to vote therein, present in person or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the Members for the transaction of business except as otherwise provided by a statute, by the Articles of Incorporation or by these By-Laws. If a quorum is not present or represented at a meeting of the Members, the Members entitled to vote therein, present in person or represented by proxy, shall have power to adjourn the meeting from time-to-time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

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3.8 Cumulative Voting Every Member entitled to vote in any election for Directors may not cumulate votes. Directors shall be elected by plurality vote.

3.9 Majority Vote; Withdrawal of Quorum When a quorum is present at any meeting, the vote of the holders of a majority of the votes allocated to the Membership Units having voting power, by class of Membership, present in person or represented by proxy, shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the Statute or of the Articles of Incorporation, these By-Laws or the Declaration, a different vote is required in which case such express provision shall govern and control the decision of such question. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

3.10 Method of Voting. Each Member shall be entitled to cast a vote on each matter submitted to a vote at a meeting of Members, in proportion to the number of votes allocated to the Membership Units or fraction thereof held by such Member according to the class of membership. (i.e., Class A or Class B) No more than one person may vote the interest represented by a Membership Unit. In the event of any dispute among the owners of an Air Park Lot and/or Other Eligible Lots as to the party entitled to vote the Membership Units attributed to such Air Park Lot and/or Other Eligible Lots, no votes as to such Air Park Lot and/or Other Eligible Lot will be counted absent a written designation of the representative entitled to cast the vote(s) for such Membership Unit. In the event such persons fail to appoint a designated representative for the purpose of voting in behalf of the joint owners of the Membership Unit. At any meeting of the Members, every Member having the right to vote may vote either in person, or by proxy executed in writing by the Member or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of the execution, unless otherwise provided in the proxy. Each proxy shall be revocable unless expressly provided therein to be irrevocable, and unless otherwise made irrevocable by law. Each proxy shall be filed with the secretary of the Association prior to or at the time of the meeting. Voting for directors shall be in accordance with Section 3.07 of these By-Laws.

3.11 Record Date; Closing Transfer Books. The Board of Directors may fix in advance a record date for the purpose of determining Members entitled to notice of or to vote at a meeting of the Members; the record date to be not less than ten (10) days nor more than fifty (50) days prior to such meeting. In the absence of any action by the Board of Directors, the date upon which the notice of the meeting is mailed shall be the record date.

3.12 Waiver of Notice. Any notice required by law or these By-Laws may be waived by the person entitled to the notice by the execution of a written waiver of such notice or by appearing at any meeting of Members.

3.13 Conduct of Meeting: At every meeting of the Members, the President, or in his absence, the Vice president designated by the president, or in the absence of such designation, a chairman (who shall be one of the Vice Presidents, if any is present) chosen by a majority interest of the

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Members of the Association present in person or by proxy and entitled to vote, shall act as chairman. The Secretary of the Association, or in his absence, an assistant secretary, shall act as secretary of all meetings of the Members. In the absence at such meeting of the secretary or assistant secretary, the chairman may appoint another person to act as secretary of the meeting.

ARTICLE 4: Directors

4.1 Management. The business and affairs of the Association shall be managed by the Board of Directors who may exercise all such powers of the Association and do all such lawful acts and things as are not (by statute or by the Articles of Incorporation or by these By-Laws) directed or required to be exercised or done by the Members. The directors shall act only as a board and an individual director shall have no power as such.

4.2 Number; Qualification. The Board of Directors shall consist of five (5) directors who shall be voting members of the Association with three (3) of those members being aviators.

4.3 Change in Number The number of directors may be increased or decreased from time-to-time by amendment of the By-Laws, but no decrease shall have the effect of shortening the term of any incumbent director. Any directorship to be filled by reason of any 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.

4.4 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 November meeting of Members. The Nominating Committee shall be appointed by the Board of Directors prior to each November meeting of the Members, to serve from the close of such annual meeting until the close of the next November meeting. The Nominating Committee shall make as many nominations of 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.

4.5 Election and Term of Office. The directors shall be elected annually by the Members, except as provided in these By-Laws at §4.3 and §4.6. Each director shall hold office until his respective successor is elected, or until his death, resignation or removal. Board seat numbers and term expiration will be on file with the secretary's records.

4.6 Removal. Any or all directors may be removed either with or without cause, with or without meeting, by the affirmative vote of a majority of the votes allocated to the Membership Units of the Members, or by the affirmative vote of a majority of the votes allocated to the Membership Units of the Members present in person or by proxy at a duly called meeting and entitled to vote for the election of such director if notice of intention to act upon such matter shall have been given in the notice calling such meeting.

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4.7 Vacancies. Any vacancy occurring in the Board of Directors (by death, resignation, removal or otherwise) may be filled by an affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

4.8 Election of Directors. Directors shall be elected by plurality vote. Cumulative voting shall not be permitted.

4.9 Place of Meeting. All meetings of the Board of Directors will be held at such place as may be designated by the majority of the Board of Directors.

4.10 Regular Meetings. Regular meetings of the Board of Directors may be held without notice immediately following each semi-annual meeting of Members of this Association and at such time and place as shall be determined by the Board of Directors.

4.11 Special Meetings. Special meetings of the Board of Directors may be called at any time by any director on three (3) days notice to each director, either personally or by mail or by telephone or by e-mail. Except as otherwise expressly provided by statute, or by the Articles of Incorporation, or by these By-laws, neither the business to be transacted at, nor the purpose of, any special meeting need be specified in a notice or waiver of notice. Notwithstanding the foregoing, shall the Board of Directors be required to meet more than one (1) time per month absent the consent of sixty percent (60.0%) of the Directors.

4.12 Quorum; Majority Vote. At all meetings of the Board of Directors, a majority of the number of directors fixed by these By-Laws shall constitute a quorum for the transaction of business. The act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors, except as otherwise specifically provided by statute or by the Articles of Incorporation or by these By-laws. If a quorum is not present at a meeting of the Board of Directors, the directors present may adjourn the meeting from time-to-time, without notice other than announcement at the meeting, until a quorum is present.

4.13 Conduct of Meeting. The Board of Directors shall keep regular minutes of its proceedings. The Chairman, or in his absence, any director selected by the directors present, shall preside at meetings of the Board of Directors. The secretary of the Association, or in his absence, any director selected by the directors present, shall act as secretary at meetings of the Board of Directors. The minutes shall be placed in the minute book of the Association. Electronic recordings shall be allowed as minutes and shall be stored with the other Association records.

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4.14 Action without Meeting Any action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all the members of the Board of Directors. Such consent shall have the same force and effect as a unanimous vote at a meeting. The signed consent, or a signed copy, shall be placed in the minute book.

4.15 Telephone Meetings. Subject to the provisions for notice required by these bylaws and the Statute for notice of meetings, Directors may participate in and hold a meeting by means of telephone conference or similar communications equipment by which all persons participating in the meeting can hear each other. Participation in the meeting shall constitute presence in person at the meeting, except when a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

4.16 Interested Directors. Any contract or other transaction between the corporation and any of its directors (or any corporation or firm in which any of its directors is directly or indirectly interested) shall be valid for all purposes notwithstanding the presence of such director at the meeting authorizing such contract or transaction, or his participation in such meeting. The foregoing shall, however, apply only if the interest of each such director is known or disclosed to the Board of Directors and it shall nevertheless authorize or ratify such contracting or transaction and shall be counted in determining whether a quorum is present, but not in calculating or construed to invalidate any contract or transaction which would be valid in the absence of this section.

ARTICLE 5: Powers and Duties of the Board of Directors

5.1 Powers. The Board of Directors shall have power to:

- (a) adopt and publish rules and regulations governing the use of all Limited Common Areas and Limited Common Elements and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;
- (b) suspend the voting rights and right to use the Limited Common Areas or Limited Common Elements of a Member during any period 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 ninety (90) days for infraction of published rules and regulations;
- (c) exercise for the Association, all powers, duties and authority vested in or delegated to the Association and not reserved to the Membership by other provisions of these By-laws, the Articles of Incorporation or by the Declaration;

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- d) declare the office of a member of the Board of Directors to be vacant in the event such Director shall be absent from three (3) consecutive regular meetings of the Board of Directors;
- (e) employ, retain or engage a Manager, independent contractors, accountants, attorneys or other employees or agents as they may deem necessary and to prescribe their duties and terms of retention, engagement or employment;
- (f) enforce all of the terms and provisions of the Declaration against Members and Owners;
- (g) enter into such contracts, leases and agreements as may be necessary to enforce, execute or accomplish the terms of the Declaration.

5.2 Duties. It shall be the duty of the Board of Directors to:

- (a) cause to be kept a complete record of all of 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 of the Members when such statement is requested in writing by one-fourth (1/4th) of the Membership Units;
- (b) supervise all Officers, agents and employees of the Association and see that their duties are performed;
- (c) as more fully provided by the Declaration, and these By-Laws, to:
 - (1) fix the amount of the Assessments against each Lot at least thirty (30) days in advance of each Assessment Period;
 - (2) send written notice of each Assessment to every Owner subject thereto at least thirty (30) days prior to the due date for the payment of such Assessments; and,
 - (3) take such action as is necessary to collect any delinquent payment of Assessments, including but not limited to, filing liens against the Lots owned by the delinquent Members. At the sole discretion of the Board of Directors, foreclosure actions may be initiated and completed where the liens are deemed to be severely delinquent (i.e., over six (6) months past due) ;
- (d) issue, or cause an appropriate Officer, Manager or Agent to issue, upon demand by any person, a certificate setting forth the status of Assessments as to any Lot, including the amount of any delinquency and the date such delinquencies were due. A reasonable charge may be made by the Board of Directors for the issuance of these Certificates. If a Certificate states an Assessment had been paid, such Certificates shall be conclusive evidence of such payment;

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- (e) procure and maintain adequate liability and hazard insurance on property owned by the Association and the activities of the Association and the Board of Directors, its Officers, Manager, agents and employees; and,
 - (f) cause all Limited Common Areas and Limited Common Facilities to be maintained.
- 5.3 Committees. The Board of Directors shall have the power to appoint committees as deemed appropriate to carry out its purposes and delegate to said committees, such powers and duties required to execute and enforce the committee's responsibilities.
- 5.4 Nominating Committee. The Board of Directors shall appoint, from time to time, a Nominating Committee as provide by these By-Laws.

ARTICLE 6: Execution of Instruments

- 6.1 Designations The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute any corporate instrument or document, or to sign the corporate name without limitation, except where otherwise provided by law, and such execution or signature shall be binding upon the Association.

ARTICLE 7: Officers and Agents

7.1 Number: Qualification; Election; Term

(a) The Association shall have:

(1) A President, Vice President, a Secretary, and a Treasurer.

(2) Such other officers (including a chairman of the Board and other vice-presidents) and assistant officers and agents as the Board of Directors may deem necessary.

(b) No officer or agent need be a Member, a director or a resident of Texas.

(c) Officers shall be elected by the Board of Directors expiration of an officer's term or whenever a vacancy exists. Officers may be elected by the Board at any meeting.

(d) Unless otherwise specified by the Board of Directors at the time of election or appointment, or in an employment contract approved by the Board, each officer's and agent's term shall end at the first meeting of the Board of Directors after the next annual meeting of Members. he shall serve until the end of his term or, if earlier, his death, resignation or removal.

(e) Any two or more offices may be held by the same person.

7.2 Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever, in its judgment, the best interests of the Association will be served thereby. Such

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removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

- 7.3 Vacancies. If the office of the president, vice president, secretary, treasurer, assistant secretary (if any), or assistant treasurer (if any) becomes vacant by reason of death, resignation, removal or otherwise, the Board of Directors shall elect a successor who shall hold office for the unexpired term, and until his successor is elected.
- 7.4 Authority. Officers and agents shall have such authority and perform such duties in the management of the Association as are generally ascribed to the respective offices provided in this By-Laws, or as may be determined by resolution of the Board of Directors not inconsistent with these By-Laws.
- 7.5 Compensation. The compensation of officers and agents shall be fixed from time-to-time by resolution of the Board of Directors.
- 7.6 President Subject to such supervisory powers, if any, as may be given by the Board of Directors to the chairman of the Board, if there be such an officer, the president shall be the chief executive officer of the Association and shall, subject to the control of the business and officers of the Association, and shall have the general powers and duties of management usually vested in the office of the president of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or the By-Laws.
- 7.7 Vice President. In the absence or disability of the president, the vice president, in order of their rank as fixed by the Board of Directors or, if not ranked, the vice president designated by the Board of Directors, shall perform all the duties of the president, and when so acting shall have all the powers of, and be subject to all the restrictions on, the president. The vice presidents shall have such other powers and perform such other duties as from time-to-time may be prescribed for them respectively by the Board of Directors or by the By-laws.
- 7.8 Secretary. The secretary shall:
- (a) Attend all meetings of the Board of Directors and all meetings of the Members, and record all votes and the minutes of all proceedings in a book to be kept for that purpose.
 - (b) Give, or cause to be given, notice of all meetings of the Members and special meetings of the Board of Directors.
 - (c) Keep in safe custody the seal of the Association (if any) and, when authorized by the Board of Directors, affix the same to any instrument requiring it and, when so affixed, it shall be attested by his signature or by the signature of the treasurer or an assistant secretary.
 - (d) Be under the supervision of the president and perform such other duties and have such other authority and powers as the Board of Directors may from time-to-time delegate.

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- (e) Keep, or cause to be kept, a Membership Unit Register showing the names of the Members and their addresses, the number, date of issue and class of Membership - Units represented by each outstanding Membership Unit certificate; and the number and date of cancellation of each certificate surrendered for cancellation.

7.9 Treasurer. The treasurer shall:

- (a) Have the custody of the corporate funds and securities and shall keep full and accurate account of receipts and disbursements of the Association and shall, deposit all monies and other valuable effects in the name and to the credit of the Association in such depositories as may be designated by the Board of Directors.
- (b) Disburse the funds of the Association as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the president and directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as treasurer and of the financial condition of the Association.
- (c) If required by the Board of Directors, give the Association a bond in such form in such sum, and with surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of his office and for the restoration to the Association, in case of his death, resignation, retirement, or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Association.
- (d) Perform such other duties and have such other authority and powers as the Board may from time-to-time prescribe or as the president may from time-to-time delegate.

ARTICLE 8: Assessments

8.1 Liability for Assessments. All owners shall be obligated to pay the Association:

- (a) Regular Assessments for the normal operating expenses of the Association, expenses incurred by the Association in the operation and maintenance of the Common Facilities and charges for municipal services procured for and used by the Owners through contracts with the Association;
- (b) Special Assessments for defraying, in whole or in part, the costs of constructing or reconstructing capital improvements, or their unexpected repair or replacement, upon proper vote of the Members of the Association, such assessment~ to be fixed, established and collected from time to time as hereinafter provided; and,
- (c) Individual Assessments as provided for in the Declaration.

The Assessments, together with such interest thereon and costs of collection thereof as provided in the Declaration, shall be a charge on each Lot and shall be a continuing lien upon each Lot. Such Assessments and such interest thereon and cost of collection thereof, shall also be the personal obligation

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of the person who was the Owner of such Lot at the time the obligation accrued.

8.2 Purpose of Assessments. The Assessments levied by the Association shall be used for the purpose of promoting the health, safety and welfare of the Members, and, in particular, for the improvement, maintenance and operation of: the Limited Common Areas and Limited Common Facilities devoted to this purpose and related to the use, and enjoyment of the Property by the Members including, maintenance of the Airstrip, Taxiways, Safety Zones, Open Areas and all: Limited Common Facilities, drains, Limited Common Area landscaping, paved areas, and lighting.

8.3 Basis for Assessments. The Assessments for all lots whose owners are Members in the Association shall be determined by the Board of Directors in the manner provided for herein after determination of current costs, expenses and anticipated needs of the Association during the period for which the Assessments are being made.

8.4 Special Assessments for Capital Improvements In addition to the Regular Assessments provided for in Section 8.3 of this Article, the Association may levy in any subsequent year, a special assessment, on Members' Lots, applicable to that year, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repaired replacement of a capital improvement on or which is a part of the Limited Common Facilities, provided that any such Special Assessment shall have the vote of at least two-thirds (2/3) of the votes allocated to the Membership Units held by. Members voting in person or proxy at a meeting duly called for this purpose, written notice of which shall be sent to all Members at least thirty (30) days in advance and shall set forth the purpose of the meeting.

8.5 Change in Basis and Maximum Amount of Annual Assessments For all Regular Assessments accruing after January 1, 1999, the maximum annual assessment may be adjusted by majority vote of the Board of Directors, but shall not be increased by more than ten percent (10.0%) above that of the previous year without a vote of the Members. Any increase in the maximum Regular Assessment of more than ten percent (10.0%) above that of the previous year shall require an affirmative vote of two-thirds (2/3) of the votes allocated to the Membership Units, cast in person or by proxy, at a meeting duly called for such purpose, written notice of which has been sent to all Members, at least thirty (30) days in advance.

8.6 Quorum for any Action Authorized -under Section 8.4 and 8.5. The Quorum required for any action by Members authorized by Sections 8.4 and 8.5 herein shall be as follows:

At the first meeting called, as provided in Sections 8.4 and 8.5 hereinabove, the presence at the meeting of Members, either in person or by proxy, holding sixty percent (60.0%) of the votes allocated to the Membership Units shall constitute a quorum. If the required quorum is not present at any meeting, another meeting may be called, subject to the notice requirements set forth in Section 8.4 and 8.5 above, and the required quorum at any such subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting, provided that such reduced quorum requirement shall not be applicable to any such

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subsequent meeting preceding meeting held more than sixty (60) days following the preceding meeting.

8.7 Date of Commencement of Assessments; Due Dates. The Regular Assessments shall be collected by the Association on an annual basis or semi-annual basis as designated by the Board of Directors in October of each year. The due date of any Individual Assessment shall be thirty (30) days after the levy of such Individual Assessment by the Board of Directors. Any Assessment which has not been paid in-full on or before the due date thereof shall be delinquent and subject to the penalties and remedies set forth in the Declaration and these By-laws.

8.8 Fixing of Assessments. In October of each year, the Board of Directors shall fix the amount of the Regular Assessments and shall, at that time prepare a roster of the Members' Lots and Assessments applicable thereto, which shall be kept in the office of the Association and shall be open to inspection by any Member. Written notice of the Annual Assessment shall thereupon be sent to every Member subject thereto.

8.9 Effect of Non-Payment of Assessments; The Liens and Remedies in

Favor of the Association. If the Assessments are not paid on the date when due, then such assessments shall bear interest at the rate of ten percent (10.0%) per annum. The Association shall be entitled to exercise all remedies allowed by law and the Declaration as a result of such default in payment, and there shall be added to the amount of such delinquent assessments, all costs of collection including but not limited to reasonable attorneys fees and costs of suit.

ARTICLE 9: Indemnification

9.1 Indemnification of Directors and Officers The Board of Directors shall authorize the corporation to pay or reimburse any present or former director or officer of the corporation any costs of expenses actually and necessarily incurred by him in any action, suit, or proceeding to which he is made a party by reason of his holding such position; provided, however, that such obligations shall be limited as provided for by the Articles of Incorporation. The indemnification herein provided shall also extend to good faith expenditures incurred in anticipation of, or preparation for, threatened or proposed litigation The Board of Directors may, in proper cases, extend the indemnification to cover the good faith settlement of any such action, suit or proceeding, whether formally instituted or not, to the extent that the Board of Directors is advised in connection with such matters by its counsel that the person to be indemnified may be so indemnified by the provisions of the Articles of Incorporation. The foregoing rights of indemnity shall not be exclusive of any other right of indemnity to which such Director or Officer may be entitled. All liability, loss, damage, costs and expense incurred or suffered by the Association by reason or arising out of or in connection with

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the foregoing indemnification provisions shall be treated and handled by the Association as Common Expenses; provided however, that nothing in this Article contained shall be deemed to obligate the Association to indemnify any Member or Owner of a Air Park Lot and/or Other Eligible Lot, who is or has been a Director, with respect to any duties or obligations assumed or liabilities incurred by him under and by virtue of the Declaration as a Member or Owner of a Air Park Lot and/or Other Eligible Lot covered thereby.

9.2 Indemnification of Agents, Employees and Members The Association by vote of its Board of Directors, may agree to indemnify the Association's agents, employees and/or Members against all expenses, judgments, decrees, fines penalties, or the amounts paid in satisfaction, in settlement of, or in connection with the defense of any pending or threatened action, suit, or proceeding, civil or criminal, to which he or she is or may be made a party by reason of having been an agent or employee of the Association. Without limitation, the term "expenses" shall include all counsel fees, expert witness fees, court costs, and any other costs of a similar nature. The Association shall not, however, indemnify any agent or employee until a determination that indemnification is permissible has been made by the procedure and according to the standards set forth in the By-Laws of this Association.

9.3 Written Demand for Indemnification. Any officer, director, agent, employee or Member who seeks to be indemnified from the Association may make a written demand on the Board of Directors by serving the written demand on the President or the Secretary (unless the President and Secretary are both making the demand, in which case service may be made on any other officer of the Association).

9.4. Prohibition Against Indemnity. The Association shall not indemnify an officer, director, agent, employee or Member in any matter involving a ground for exclusion set forth in the Articles of Incorporation or any conduct prohibited to be indemnified by the Statute. However, the Association may, in its sole discretion, provide any officer, director, agent, employee or Member with counsel to defend against any claims involving the foregoing, provided that the Association has the opportunity to select the counsel to so represent the officer, director, agent, employee or Member involved and to pay such out-of-pocket expenses as it deems advisable in the defense against any such claims.

9.5 Indemnification Not Exclusive. The indemnification provided by this Article shall not be deemed to be exclusive of any other rights to which any person indemnified may be entitled under any regulation, agreement, vote of the stockholders or as interested directors, or otherwise. The indemnification provided by this Article shall not be deemed exclusive of any other power to indemnify or right to indemnification that the Association or any person referred to in this Article may have or acquire under the laws of the State of Texas. Indemnification shall continue to inure to the benefit of the heirs, executors, and administrators of any person entitled to indemnification under this Article.

ARTICLE 10: Notice

10.1 Method. Whenever by statute or the Articles of Incorporation or these By-Laws, notice is required to be given to a director or Member, and no

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provision is made as to how the notice shall be given, it shall not be construed to mean personal notice, but any such notice may be given (a) in writing, by mail, postage prepaid, addressed to the director or Member at the address appearing on the books of the Association, or (b) in any other method permitted by law. Any notice required or permitted to be given by mail shall be deemed given at the time when the same is thus deposited in the United States mail.

10.2 Waiver. Whenever, by statute or the Articles of Incorporation or these By-Laws, notice is required to be given to a Member or director, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated in such notice, shall be equivalent to the giving of such notice. Attendance of a director or Member at a meeting shall constitute a waiver of notice of such meeting, except where a director or Member attends for the express purpose of objection to the transaction of any business on the grounds that the meeting is not lawfully called or convened.

ARTICLE 11: Dissolution

11.1 Manner of Dissolution The Association may be dissolved with the assent given in writing and signed by Members holding eighty-five percent (85%) of the Membership Units. Written notice of a proposal to dissolve, setting forth reasons therefore and the disposition to be made of the assets and/or the methods available to satisfy all outstanding indebtedness and obligations, shall be given to every Member at least ninety (90) days in advance of any meeting at which any such action may be taken.

11.2 Distribution of Assets. Upon dissolution of the Association, the assets, both real and personal, of the Association shall be distributed in the manner set forth in the Articles of Incorporation.

ARTICLE 12: General Provisions

12.1 Books and Records. The Association shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its Members and Board of Directors, and shall keep at its registered office or principal place of business, or at the office of its secretary, a record of its Members, giving the names and addresses of all Members and the number and class of the Membership Units held by each.

12.2 Resignation. Any director, officer or agent may resign by giving written notice of the Board of Directors, or the president, or the secretary. The resignation shall take effect at the time specified therein, or immediately upon receipt if no time is specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

12.3 Amendment of By-Laws. These By-Laws may be altered, amended, or repealed at any meeting of the Board of Directors at which a quorum is

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present, by the affirmative vote of a majority of the directors present at such meeting, provided notice of the proposed alteration, amendment, or repeal is, contained in the notice of such meeting.

12.4 Fiscal Year. The fiscal year of the Association shall be the calendar year.

12.5 Checks. All checks or demands for money and notes of the Association shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time-to-time designate.

12.6 Loans. The Association may borrow money regardless of whether secured or unsecured only upon the unanimous consent and approval of the Board of Directors of the Association.

12.7 Gifts. The Board of Directors may accept on behalf for the Association, any contribution, gift, bequest or devise for the general purposes or for any special purpose of the Association.

12.8 Declaration. The provisions of these By-laws shall be subject to the definitions, terms and conditions of the Declaration and, in the event of any conflict with the provisions of these By-laws and those contained within the Declaration, the definitions, terms and conditions of the Declarations shall prevail and be given full force and effect.

THESE BY-LAWS of KESTREL AIR PARK ASSOCIATION are hereby adopted by the undersigned, being a majority of the Directors of said Association, on this the 28th day of April, 2007.

Jack Wallace, Director

Jon Spears, Director

John V. White, Director

Floyd Wilkes, Director

Wade Lively, Director